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ABSTRACT

Four federal programs were investigated for inconsistencies in awarding financial aid to college students: the Supplemental Educational Opportunity Grants, Basic Educational Opportunity Grants, College Work-Study Program, and National Direct Student Loan Program. Their methods for determining student need and their legislative histories are described. The allocation of campus-based funds is examined and it is concluded that the formulas allotting campus-based aid to states are inadequate and inconsistent in their treatment of need. It is also suggested that institutions inflate the amounts requested on applications for aid. Different systems used for determining need are discussed, that produce different measures of need assessment and increase processing costs. It is recommended that a single need analysis formula be instituted. Inconsistent distribution of aid to students is examined in terms of over-awards and unmet needs. It is suggested that too often the neediest students are not always awarded the most aid. Identifying overlaps with other aid sources such as veterans assistance and athletic scholarships is recommended to insure equity, and maintenance of academic standards is considered an important criteria for awarding aid. A glossary of terms is provided. Appended are an overview of Office of Education student aid programs for fiscal years 1974-78, information used in selecting postsecondary schools for this study, and a letter from the Office of Management and Budget. (SF)

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BY THE COMPTROLLER GENERAL

Report To The Congress

OF THE UNITED STATES

Inconsistencies In Awarding Financial Aid To Students Under Four Federal Programs

Office of Education financial aid programs have helped many needy students, but under four programs, aid has been distributed inconsistently to students in similar situations. Problems contributing to this inconsistency are:

- Funds to States and schools have not been allocated on the basis of students' needs, and schools have overstated requests for funds.
- Systems that assess students' needs for financial aid have used different measures of expected family contributions toward the cost of education.
- Methods used by schools to develop financial aid "packages" failed to consider all sources of student aid and have resulted in some students getting more than their computed needs, while others did not receive enough.
- Inadequate or unenforced standards have allowed students to remain in school and receive financial aid without making satisfactory academic progress.

U.S. DEPARTMENT OF HEALTH EDUCATION & WELFARE NATIONAL INSTITUTE OF EDUCATION

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UNITED STATES GENERAL ACCOUNTING OFFICE

HRD-79-16
MAY 11, 1979

COMPTROLLER GENERAL OF THE UNITED STATES
WASHINGTON, D.C. 20548

B-164031(1)

To the President of the Senate and the
Speaker of the House of Representatives

The Department of Health, Education, and Welfare's Office of Education sponsors several major student aid programs that provide financial aid to needy students enrolled in a variety of postsecondary institutions. These programs have helped many needy students. However, improvements are needed to better ensure that students in similar circumstances are treated alike by these programs, as intended by the Higher Education Amendments of 1972.

The Congress needs to revise the State allotment formulas for three aid programs to achieve a more equitable distribution of aid to needy students. We are recommending that the Director, Office of Management and Budget, improve coordination among agencies providing student aid and that the Secretary of Health, Education, and Welfare strengthen administration of these aid programs.

We are sending copies of this report to the Director, Office of Management and Budget, and the Secretary of Health, Education, and Welfare.

Comptroller General
of the United States

COMPTROLLER GENERAL'S
REPORT TO THE CONGRESS

INCONSISTENCIES IN AWARDING FINANCIAL AID TO STUDENTS UNDER FOUR FEDERAL PROGRAMS

D I G E S T

Federal financial aid programs have not provided students with similar needs with the same amounts and types of assistance.

The Department of Health, Education, and Welfare's (HEW's) Office of Education sponsors four programs which are to help students at postsecondary schools and which are administered by schools' financial aid officers. HEW awards Basic Educational Opportunity Grants to anyone who qualifies. Awards under three other programs are determined by schools' financial aid officers. These campus-based programs include Supplemental Educational Opportunity Grants, College Work-Study, and National Direct Student Loans. Fiscal year 1979 funds for these four programs total about $3.8 billion.

Students are not being treated consistently because:

--Methods used to distribute funds to States and institutions resulted in a distribution of funds inconsistent with student need. (See ch. 2.)

--Aid programs use different systems for assessing students' needs, which produce different results for the same student. (See pp. 25 to 27.)

--Flexibility allowed institutions in establishing student budgets and awards results in students with similar resources and expenses receiving different amounts and types of aid. (See chs. 3 and 4.)

--Some students remain in school and receive financial aid without making satisfactory academic progress. (See ch. 5.)

--Verification of information supplied by students and parents differs widely among schools. (See pp. 33 and 34.)

--Students do not always report their financial resources as required. (See pp. 45 to 49.)

RECOMMENDATIONS TO THE SECRETARY OF HEW

The Secretary should direct the Commissioner of Education to:

--Complete plans to streamline the Office of Education's system for distributing funds under the campus-based programs. (See p. 22.)

--Design a single system to determine a family's ability to meet educational costs. The system should use one application, compute one family contribution amount, and determine one financial need amount for each student. (See p. 36.)

--Establish more specific criteria for allowable students' living and miscellaneous expenses and make such criteria consistent for and applicable to Basic Grants and the campus-based programs. (See p. 36.)

--Require verification of information supplied by students and parents for campus-based aid programs before awards are made. (See p. 36.)

--Establish guidelines to require total aid packages of students in similar circumstances to have similar mixtures of grants and self-help aid (jobs and loans). (See p. 51.)

--Promptly carry out plans to integrate and coordinate Federal and non-Federal aid and emphasize the need for financial aid officers to check all available sources of aid to determine if recipients of campus-based aid are receiving any other financial assistance. (See p. 51.)

--If authorized by the Congress, develop minimum standards for student academic progress. (See p. 59.)

HEW did not respond in writing to GAO's request for comments on this report in time for inclusion in the report. Office of Education officials said, however, that many of GAO's observations and recommendations point out problems of longstanding concern to HEW.

They said steps had been taken to revise the system for allocating campus-based funds among institutions. GAO believes that, if the Congress acts on GAO's recommendations and once the Office of Education has completed its revised system for allocating these funds, the distribution of such funds will be improved.

Although the Office of Education officials agreed with most of GAO's recommendations, they did not believe that the same criteria for eligible miscellaneous and living expenses should apply to the campus-based and Basic Grants programs because the programs serve different purposes. They believe that many schools had revised procedures governing satisfactory academic progress since GAO's fieldwork and, therefore, GAO's recommendations might not be relevant.

GAO believes that workable provisions can be formulated to govern allowable miscellaneous and living expenses that can be applied to the campus-based and Basic Grant programs. (See pp. 37 to 39.) GAO also continues to believe that more specific criteria are needed regarding requirements for satisfactory academic progress because some schools may be reluctant to enforce adequate standard when faced with the drops in enrollment projected for the 1980s. Office of Education officials' specific comments on GAO's recommendations are included throughout this report.

RECOMMENDATION TO THE DIRECTOR, OFFICE OF MANAGEMENT AND BUDGET

The Director should require agencies that provide education assistance to include in their regulations a requirement that the names of students and the amounts of student aid they receive be provided to schools' financial aid officers for consideration in developing aid packages. (See pp. 52 and 53.)

According to the Office of Management and Budget, it shared GAO's concern for assuring efficient distribution of student financial aid and it was studying the problem in connection with the development of its proposals for reauthorizing student financial aid programs. (See app. III.)

RECOMMENDATIONS TO THE CONGRESS

The Congress should revise the State allotment formulas for the Supplemental Grant, Direct Loan, and College Work-Study programs to

--include consistent indicators of relative need of students in the States,

--make formula factors for each of the programs consistent with the types of students who are eligible, and

--allow greater interchangeability of funds between the initial and continuing year Supplemental Grant program. (See pp. 23 and 24.)

Contents

CHAPTER		Page
DIGEST		i
1	INTRODUCTION	1
	Description of student aid programs	2
	Analysis to determine student financial need	4
	Legislative history	4
	Scope of review	5
2	NEED FOR IMPROVED METHOD OF ALLOCATING CAMPUS-BASED FUNDS TO INSTITUTIONS	7
	The allotment and allocation processes	7
	State allotment formulas not based on need	10
	Institutional applications often overstated needs	14
	Unused funds	19
	Conclusions	21
	Recommendation to the Secretary of HEW	22
	Comments of Office of Education officials and our evaluation	22
	Recommendations to the Congress	23
3	IMPROVEMENTS NEEDED IN SYSTEMS FOR DETERMINING NEED	25
	Different systems for determining financial need	25
	Students in similar circumstances treated inconsistently by schools	29
	Conclusions	35
	Recommendations to the Secretary of HEW	36
	Comments of Office of Education officials and our evaluation	36
4	INCONSISTENT DISTRIBUTION OF AID TO STUDENTS	40
	Overawards and unmet need	40
	Neediest students are not always awarded most aid	43
	Inconsistent distribution of grants, loans, and college work-study among students	44
	Need to identify other aid sources	45
	Questions have arisen over the continued need for social security education benefits	50

CHAPTER		Page
	Conclusions	50
	Recommendations to the Secretary of HEW	51
	Comments of Office of Education officials	51
	Recommendation to the Director, Office of Management and Budget	52
	Office of Management and Budget comments	53
5	NEED TO FURTHER DEFINE CRITERIA FOR SATISFACTORY ACADEMIC STANDING	54
	Schools without standards	55
	Schools with inadequate standards	56
	Schools that did not enforce standards	58
	Conclusions	58
	Recommendations to the Secretary of HEW	59
	Comments of Office of Education officials and our evaluation	60
APPENDIX		
I	Overview of Office of Education student aid programs for fiscal years 1974-78	63
II	Information used in selecting postsecondary schools	65
III	Letter dated January 26, 1979, from the Executive Associate Director for Budget, Office of Management and Budget	66

ABBREVIATIONS

ACT	American College Testing Program
CSS	College Scholarship Service
GAO	General Accounting Office
HEW	Department of Health, Education, and Welfare
OE	Office of Education
VA	Veterans Administration

GLOSSARY

Allocation	Distribution of campus-based program funds among the institutions within a State.
Allotment	Distribution of campus-based program funds among the States.
American College Testing Program	A private, nonprofit firm located in Iowa City, Iowa, which performs need analysis and other functions. It has a contract with the Office of Education to perform the nationwide needs analysis for the Basic Grant program.
Basic Grant system	A formula for measuring a family's financial strength and ability to contribute toward the costs of postsecondary education.
Campus-based programs	Collective term for the Office of Education-funded student aid programs for which the schools' financial aid officers control awards: Supplemental Educational Opportunity Grants, College Work-Study, and National Direct Student Loans.
College Entrance Examination Board	A private, nonprofit organization that provides tests and other educational services for students, schools, and colleges.
College Scholarship Service	A component of the College Entrance Examination Board, with principal offices in Princeton, New Jersey, and Berkeley, California, which performs need analysis.
Cost of education	The amounts charged for tuition, fees, room, board, books, supplies, and other expenses.
Dependent students	Students who do not qualify as independent students (see definition of independent student).

Expected family contribution	An estimate of the amount that a student and his or her parents can pay toward the cost of postsecondary education.
Financial aid officer	A postsecondary institution official who helps students meet their financial need using the various types of financial aid available.
Financial aid package	A combination of the various types of financial aid available from Federal and State programs, private and institutional scholarships, loans, and grants which the financial aid officer uses to help students meet their cost of education.
Financial need	The difference between the cost of education and the expected family contribution.
Fiscal operations report	A comprehensive annual report on the use of funds for the three campus-based aid programs which the Office of Education requires schools participating in these programs to submit.
Independent students	Students who are either veterans or who, for the calendar year in which they receive aid or for the prior calendar year, (a) do not receive financial support of more than $600 from their parents, (b) do not reside with their parents for more than 2 consecutive weeks, and (c) have not been claimed as exemptions by their parents on Federal income tax returns.
Need analysis	The process of assessing a family's ability to meet the cost of education.

Parents' confidential and students' financial statements	The College Scholarship Service's application forms on which students apply for a need analysis. Dependent students use the parents' confidential statements. Independent students use the students' financial statements.
Student eligibility report	The document containing the student's Basic Grant eligibility index representing the family's expected contribution, which the student takes to a financial aid officer at the school selected, who pays the student and/or credits his or her account.

CHAPTER 1

INTRODUCTION

The Office of Education (OE), within the Department of Health, Education, and Welfare (HEW), sponsors the following major student aid programs:

--Basic Educational Opportunity Grants (Basic Grants),

--Supplemental Educational Opportunity Grants (Supplemental Grants),

--College Work-Study,

--National Direct Student Loans (Direct Loans),

--Guaranteed/Federally Insured Student Loans (Guaranteed Loans), and

--State Student Incentive Grants.

Funds for these programs are to be distributed on the basis of need to students enrolled in a wide range of post-secondary institutions, including colleges; universities; community and junior colleges; vocational, technical, and business schools; and hospital schools of nursing.

The programs are forward funded--money appropriated in any fiscal year will be obligated in that fiscal year but not be expended until the next fiscal year. Appropriations for these six programs increased from $1.7 billion in fiscal year 1974 to $4.6 billion in fiscal year 1979.

Summaries of authorized activities, eligibility criteria, and funding levels for OE's major student aid programs are included in appendix I.

The principal objectives of our review were to evaluate

--the process of allocating campus-based funds (Direct Loans, Supplemental Grants, and College Work-Study funds) to institutions;

--the systems for determining students' need for financial aid;

--the schools' methods of distributing aid to students; and

--the criteria used to define satisfactory academic standing.

DESCRIPTION OF STUDENT AID PROGRAMS

Title I-D of the Education Amendments of 1972 (20 U.S.C. 1070a) (1976) authorized the Basic Grant program. The program is designed to assist needy students in continuing their postsecondary education and to be the "foundation" or starting point for packaging aid for these students. Under the program, students receive grants that are considered "entitlements"; that is, financial assistance for any who qualify.

HEW awards Basic Grants to students, and the schools act as disbursing agents. For academic year 1978-79, grants were limited to $1,600 1/ or one-half of the cost of education, whichever is less. Unlike a loan, the Basic Grant does not have to be repaid if the student attends school during the entire academic period for which the grant was made. Basic Grants are intended to be supplemented, if warranted, by other Federal student aid programs, such as Supplemental Grants, College Work-Study, and Direct and Guaranteed Loans.

Supplemental Grants, College Work-Study, and Direct Loans are referred to collectively as campus-based programs because awards are determined by financial aid officers at postsecondary schools.

Supplemental Grants, authorized by section 131 of the Education Amendments of 1972 (20 U.S.C. 1070b) (1976), are to assist undergraduate students who demonstrate "exceptional financial need" and who, without such aid, could not reasonably expect to enroll or continue in postsecondary education. Grants cannot exceed $1,500 or one-half of the financial assistance awarded to a student from all sources by his school for a given academic year, whichever is less.

The College Work-Study program, authorized by part C of title IV of the Higher Education Act of 1965, as amended (42 U.S.C.A. 2751) (West Supp. 1978), is a cost-shared program of Federal-plus-employer support intended to promote part-time employment of students needing funds to attend

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1/The law currently provides for a maximum grant of $1,800 if the program is fully funded. Because this condition was not met for academic year 1978-79, OE reduced the maximum grant to $1,600. For academic year 1977-78 and prior years, the statutory limit was $1,400.

postsecondary institutions. The basic requirement for a student's participation in the program is financial need, but preference is given to students with the "greatest financial need." Institutions make jobs available to their students--including, where possible, educationally significant work assignments. The earnings are applied toward the student's cost of attendance as a means of supplementing financial aid available from other sources.

The Direct Loan program, authorized by part E, title IV, of the Higher Education Act of 1965, as amended (20 U.S.C. 1087aa-ff) (1976), makes low-interest, long-term loans not to exceed $10,000 (over a 4-year period) available to qualified students needing financial assistance. The program is supported by Federal and school contributions to a revolving fund established at each participating institution.

The Guaranteed Student Loan program was authorized by section 421 of the Higher Education Act of 1965, as amended (20 U.S.C. 1071) (1976). Its major objective is to enable eligible students to borrow money to pay part of their educational costs. Students obtain long-term loans directly from banks or certain other participating lenders. Guaranteed loans are insured by either the Federal Government or a State or private nonprofit guaranty agency.

The State Student Incentive Grant program, authorized by the Education Amendments of 1972 (20 U.S.C. 1070c) (1976), is to assist States and territories to initiate or expand grant and scholarship programs for postsecondary education students having substantial financial need. Each State agency selects grant recipients using financial need criteria established annually by that State and approved by OE.

Students attending postsecondary schools may receive financial assistance from other Federal agencies. The two largest sources are the Veterans Administration (VA), under the Veterans' Educational Assistance Program, and the Social Security Administration, under the Old Age and Survivors and Disability Insurance trust funds program. During fiscal year 1977, postsecondary education outlays for these programs were about $2.8 billion and $1.2 billion, respectively. VA educational assistance programs provide financial aid to veterans and, in some cases, their eligible dependents for school and living expenses. The Social Security Administration helps meet the educational expenses of children of retired, disabled, or deceased parents who qualify for social security benefits. Unlike OE programs, these programs provide financial aid to students who qualify regardless of their needs.

ANALYSIS TO DETERMINE STUDENT FINANCIAL NEED

The basic premise of OE student aid programs is that students and their families are primarily responsible for the cost of postsecondary education. Therefore, a family's ability to meet these costs must be assessed--a process referred to as need analysis. Student eligibility for OE campus-based programs can be determined by any of several approved systems. The three major OE-approved systems are (1) the College Scholarship Service (CSS) system, (2) the American College Testing Program (ACT) system, and (3) the Basic Grant system.

Financial aid officers at postsecondary schools are responsible for helping students meet the cost of education with the resources available. A student's financial need is the difference between the cost of postsecondary education and the family's and student's ability to meet that cost (referred to as the expected family contribution). The expected family contribution is determined by analyzing family income and assets, considering such factors as family size, the number of family members in postsecondary schools, and extraordinary expenses. To meet a student's need, the aid officer usually develops a financial aid package that includes various types of grants, scholarships, loans, and work-study funds available from Federal, State, private, and institutional sources.

All applications for Basic Grants are processed centrally by one HEW contractor. Students meeting the eligibility criteria are entitled to a Basic Grant and are assigned an index number representing the family's expected contribution. The Basic Grant amount is determined from an OE payment schedule, which shows the eligibility index and the costs of attending the school of the student's choice. The amount of an award under the three campus-based programs is determined by the institution's financial aid officer.

LEGISLATIVE HISTORY

While considering the Education Amendments of 1972 (Public Law 92-318), the Congress noted that equally needy students attending different schools received unequal amounts of aid. In enacting the amendments, the Congress intended that students in similar circumstances across the country would be treated consistently. The Congress established the Basic Grant program to help meet that goal.

A student's eligibility for a Basic Grant and the size of the award were to be determined by subtracting the expected family contribution from the cost of the school attended. The Basic Grant, which is limited to one-half of the cost of attendance, was expected to be the foundation of all student aid, and, therefore, would affect the amount of aid awarded by institutions under the other need-based programs. Under the Basic Grant program, students in similar financial positions would be treated consistently. At least part of the cost not covered by the Basic Grant is usually met through the campus-based aid programs.

When considering the 1972 amendments, the House Committee on Education and Labor described the award of campus-based aid as follows:

> "The student's resources are finally determined by the institution's financial aid officer who deals with him personally. In practice, the programs have gradually evolved into a 'ladder' of aid; starting with grants and moving up to work-study, [and] NDEA [National Defense Education Act] student loans * * *. There is considerable overlap and flexibility with the general result that the financial aid officer has leeway to put together a 'package' for the student in front of him."

The flexibility resulting under the campus-based programs from allowing financial aid officers to make the final determination of need on an individual basis can help eliminate the inequities caused by regional differences in family income and costs of living. However, students in similar economic situations still might be treated inconsistently by financial aid officers. For example, some students might be overburdened with self-help-type aid, such as loans and work-study, whereas other students in similar circumstances might receive aid packages made up primarily of grants.

SCOPE OF REVIEW

We made our review at OE headquarters in Washington, D.C.; at 6 HEW regional offices; at the American College Testing Program in Iowa City, Iowa; at the Educational Testing Service in Princeton, New Jersey; at 10 State higher education agencies; and at 23 postsecondary education institutions in 10 States. Basic Grant and campus-based funds allocated to the 23 schools for the 1976-77 academic year totaled $50.5 million (or 3 percent of the total funding

for these programs). The names and locations of the schools and the information used in selecting them are contained in appendix II.

The 23 postsecondary schools were selected to include a diversity of schools participating in OE student assistance programs. The number of schools selected in each category was in the approximate proportion that each type of school participated in OE's Basic Grant and campus-based programs. Factors considered included

--geographic location,

--type of school (for example, 2- and 4-year public and private, nonprofit, and proprietary), and

--number of Federal student aid programs in which the schools participated and amount of Federal funding involved.

The schools selected were not considered to be better or worse than those not selected. Since this report is directed at improving OE's administration of student financial aid programs, the schools are not identified in the report except in appendix II.

We reviewed the law and legislative histories of the student aid programs and program regulations, policies, and procedures. Schools' applications for campus-based funding and annual expenditure reports were also reviewed.

We randomly selected a sample of 1,669 student aid folders for the 1976-77 award period and examined such documents as need analyses, award letters, and Basic Grant student eligibility reports. We interviewed financial aid officers and other education institution officials, State higher education personnel, officials of the American College Testing Program and Educational Testing Services, and HEW regional and headquarters officials.

Our analysis of individual student aid files was intended to determine whether students in similar situations were being treated consistently, as intended by the Higher Education Amendments of 1972. We examined (1) the methods need analysis firms used to assess a family's expected contribution to the student's educational costs and (2) the methods financial aid officers used to distribute aid to needy students.

CHAPTER 2

NEED FOR IMPROVED METHOD OF ALLOCATING CAMPUS-BASED FUNDS TO INSTITUTIONS

Financial need is the primary student eligibility criterion for OE's student aid programs. However, OE's method of allocating funds to institutions for the three campus-based programs has not resulted in a distribution of funds consistent with student need. Some institutions received all or more than the funds necessary to meet the needs of their students, while others received much less than needed.

The statutory formulas OE uses to allot funds to States do not measure relative student need among the States. Although institutions' applications include a section for projecting the number of needy students and the amount of aid they require, such applications were not used to allot funds among the States.

Other problems were that (1) the elements of the statutory formulas for alloting funds to States differed among the three programs and (2) institutions inflated the amounts requested on their applications to compensate for reductions made during OE's review process.

To reduce the existing disparities and inconsistent treatment of institutions and students, statutory allotment formulas should be amended. In October 1978, OE revised its procedure for allocating campus-based funds among institutions.

THE ALLOTMENT AND ALLOCATION PROCESSES

Except for part of one program, OE allots campus-based funds to States using statutory formulas. Funds are then allocated to each participating institution.

Ninety percent of the available funds in the programs are allotted among the States on the basis of the formulas. This results in all States receiving a share of the funds for each program based upon selected State demographic characteristics. A portion of the other 10 percent of the funds in each program is used to bring each State up to its 1972 funding level. Remaining funds are to be allotted among the States according to equitable criteria established by the Commissioner of Education. Also, if a State does not use all of its allotment, the unused funds can be reallotted among the other States.

Institutions apply to OE annually for funds under each campus-based program. Institutional applications (referred to as tripartite applications) were reviewed by regional panels composed of institutional financial aid officers and OE representatives. The panels determined institutional needs for funds and recommended approval or adjustment of the amounts requested. Although the State allotment formulas and not panel action determined the amounts received by the States within the HEW regions, the panels affected amounts allocated to specific institutions within the States. This resulted because the amount allotted to a State under the formulas was prorated to institutions on the basis of the amounts approved by the panels for all institutions in that State.

For example, if a State's allotment under the formulas was 75 percent of the total panel-recommended funding for institutions within that State, each institution would have received 75 percent of its panel-recommended amount. There is a separate allotment for each of the campus-based programs. The Supplemental Grant allotment is divided into two parts--initial year grants for first-time applicants and continuing year grants for students who previously received Supplemental Grants. These funds are not interchangeable--initial year grants cannot be used to fund continuing students and vice versa.

The Commissioner of Education has statutory authority to allot Supplemental Grant (continuing year) funds in a manner that will best achieve the purpose of the program. The established procedure was to divide the total amount of continuing year funds available by the total amount recommended by the panels to determine a uniform national percentage for all States. Thus, the method of allotting the continuing year funds differed markedly from the procedures used to allot Direct Loan, College Work-Study, and Supplemental Grant (initial year) funds.

Generally, those responsible for distributing financial aid contended that there were insufficient funds to meet students' needs and that the method used for allocating campus-based funds (State allotment formulas and the panel review process) caused some schools to receive all of or more than the funds they needed while others might have received substantially less than they needed. The amount of assistance received by students from the campus-based programs did not depend solely on their financial need. In addition to need, funding available to a student at a given institution was affected by the State in which the institution was located and the institution's total need in relation to other institutions within the State.

In June 1977, the Student Financial Assistance Study Group 1/ issued a report to the Secretary of HEW entitled "Recommendations for Improved Management of the Federal Student Aid Programs." The report concluded that:

> "* * * the strengths of the application procedures are so far outweighed by its weaknesses. We believe that an alternative means of distributing funds to institutions must be developed."

The Study Group recommended that a new method of fund allocation be developed and that it be fully operational by the fall of 1978. It also recommended that panels continue to review applications and decide appeals. It suggested that the appropriations process precede the application process so that the panel could assign actual rather than panel-recommended dollars. In addition, the Study Group suggested that:

--The standards, techniques, and procedures used in the funding process be uniform and consistently applied from institution to institution, from State to State, and from region to region.

--No more than one data collection document be used for the funding allocation process as well as for the end-of-the-year reporting process.

--Ideally, the funding process use only data that can be verified and audited.

As a result of recommendations made by the Study Group, members of the financial aid community, and us, OE decided to revise its process of allocating campus-based aid funds to schools. The revised process is designed to

--be based on information gathered from a substantially shortened institutional application that is combined with the annual fiscal operations report,

--use auditable (historical) data that will permit a standard measurement of relative institutional financial need,

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1/A group of 12 individuals outside the Federal sector convened by the Secretary of HEW to study the management and organization of HEW's student financial assistance programs.

--place greater emphasis on institutions' use of previous years' funds, and

--eliminate the panel review process and use computers to objectively assign institutional need by formulas.

This new process will be phased in over a 3-year period. On November 8, 1978, regulations were proposed for the allocation of campus-based funds for the 1979-80 school year. Regulations for the second and third phases will be proposed after the first phase is completed.

STATE ALLOTMENT FORMULAS NOT BASED ON NEED

The formulas that allot campus-based aid to States are inadequate and inconsistent in their treatment of need. 1/ None of the formulas for allotting campus-based aid funds address need as defined by OE--the difference between the cost of education and the expected family contribution. Direct Loan and Supplemental Grant funds allotment formulas are based on demographic characteristics not directly related to need. The poverty factor (number of children under 18 from families with annual incomes below $3,000) in the College Work-Study allotment formula was developed when the program was first authorized by the Economic Opportunity Act of 1964 and only students from low-income families were eligible for benefits. When the program was transferred to OE, eligibility was no longer limited to such students. However, the original poverty factor in the allotment formula was retained.

In a 1968 report on the administration of student aid programs, the College Entrance Examination Board noted that the statutory formulas did not adequately consider two important factors: (1) the number of students enrolled in high-cost institutions varied radically from State to State and (2) the distribution of income differed among States. We believe income and cost of living information available from the Bureaus of the Census and Labor Statistics could be used as indicators of need.

1/The formulas allot funds to each State according to the ratio of the students in that State to the national total of students. For Direct Loans, the formula includes only full-time students; for Supplemental Grants, the formula includes full-time and the full-time equivalent of part-time students; for College Work-Study, the formula includes full-time students as well as the number of high school graduates and the number of children under 18 years of age living in families with annual incomes of less than $3,000.

During our fieldwork, several State and financial aid officials told us that the State allotment process could be improved by (1) replacing State allotment formulas with a national formula whereby all schools would receive the same percentage of their panel-approved recommendations or (2) revising State allotment formulas so that more funds go to States with higher percentages of low-income families, which spend larger percentages of their State budget on education, and with larger numbers of college-age students.

Despite recommendations for revising the State allocation formulas from several organizations over the past 10 years, no significant changes have occurred. Thus, although the campus-based programs are aimed at meeting student needs, the existing formulas that bring 90 percent of these funds to the States still do not directly measure relative State need. The current methods for allotting the discretionary 10-percent funds and for reallocating funds attempt to alleviate the rigidity of the formulas by recognizing the differing needs of the States. However, there was increasing concern that the methods of allotting the discretionary 10-percent funds further encouraged grantsmanship in the institutional application process. This is because the fairness of the funding process depended heavily on the extent to which regional review panels operated uniformly and consistently and successfully detected inflated institutional funding requests.

The inconsistent results of the allotment process could be illustrated by comparing the campus-based funds received by schools in different States as a percentage of panel-recommended amounts. Total campus-based funds allocated to the schools in our review varied from 36 to 94 percent of the amounts recommended by the review panels.

The following table shows, for example, that two 4-year public institutions (A and B) in different States received widely different treatment through the allocation process. Similar disparities are shown for two 4-year private schools (C and D) in two other States.

School	Amount applied for	Panel-recommended amount	Percent of amount applied for	Allocated amount	Percent of panel recommendation
A	$8,820,658	$8,114,193	92	$3,591,570	41
B	7,598,053	7,586,607	100	5,405,665	72
C	1,182,644	1,137,664	96	444,192	39
D	2,496,558	1,006,091	40	943,392	94

Although school A's panel-recommended amount was about $0.5 million more than school B's, school B received over $1.8 million more than school A. And although school C's panel recommendation was greater than school D's, the latter received more than twice as much money.

In two States within the same HEW region, the State allotments for College Work-Study, as percentages of panel-recommended amounts, differed by more than 32 percentage points (54.8 to 87.1). Because of inconsistencies in the statutory formulas, if two schools, one in each of the two States, had received identical panel recommendations of $100,000 for College Work-Study, one school would have received $54,800, the other, $87,100. Such differences also existed in the other campus-based programs. The following table shows, by program, the percentage of panel-recommended funding actually allocated to applicant schools in each State in our review.

Fiscal year 1977 allocations as a percent of panel-recommended amounts

	College Work-Study	Direct Loans	Supplemental Grants	
			Initial	Continuing
New Jersey	87.11	79.89	50.45	50.83
Florida	83.09	61.65	45.74	50.83
Tennessee	72.75	57.20	40.19	50.83
Pennsylvania	62.82	52.76	40.89	50.83
New York	54.76	51.85	38.87	50.83
California	46.87	41.31	29.12	50.83
Colorado	46.87	39.47	26.99	50.83
Minnesota	46.87	43.41	26.99	50.83
New Mexico	46.87	39.47	26.99	50.83
Wisconsin	46.87	39.47	26.99	50.83

The Student Financial Assistance Study Group report concluded that review panel members were aware of the differences among the States in the percentage of panel-recommended funding actually received and that their objectivity was thereby affected. According to the report, panelists were tempted to compensate for these differences in making their recommendations for awards, even though they were instructed to recommend the amount that the college really needed and would use. However, the following table shows that, if such compensating efforts existed, they did not result in consistent treatment of institutions applying for aid or students receiving the aid.

School	1976-77 award period: Average campus-based aid allocation per aid recipient	Average unmet need after all aid
1	$ 616	$ 89
2	571	575
3	409	25
4	520	200
5	413	400
6	1,181	745
7	671	394
8	643	62
9	297	-31
10	634	87
11	727	-244
12	377	0
13	335	966
14	277	811
15	89	881
16	413	293
17	137	559
18	363	35
19	1,014	105
20	150	1,182
21	856	1,717
22	981	1,363
23	282	1,743

The table shows significant inconsistencies between per capita allocations and unmet need. For example, one school (number 11) was allocated $727 in campus-based aid for each recipient enrolled. The students in our sample at this school received aid averaging $244 more than their need as computed by the aid officer. Another school in the same State (number 20) was allocated only about $150 for each aid recipient enrolled. Students in our sample at this school had unmet need averaging $1,182.

In a second State, one proprietary school (number 19) was allocated $1,014 in campus-based funds per aid recipient enrolled. The students in our sample had unmet need averaging about $105. Another school (number 15), a 2-year public institution in this State, was allocated only $89 per aid recipient, and students sampled had unmet need averaging $881.

Such inconsistencies occurred primarily for two reasons: (1) the process by which funds are allocated among the States is not based on need and (2) need frequently was not reported accurately on institutions' applications, which provide the basis for distributing State allotments among institutions.

Differing statutory elements among the three programs

The statutory formulas for allotting funds to States for the three campus-based programs are different. Even though all three programs are to provide need-based assistance to students, only the College Work-Study formula includes a State poverty factor and considers the number of high school graduates. The Direct Loan and College Work-Study formulas consider only full-time college enrollment. The Supplemental Grant (initial year) formula considers both full-time and the full-time equivalent of part-time enrollments of both graduate and undergraduate students, although only undergraduates attending school at least half time are eligible for grants.

These problems were cited in a 1974 College Board study of student financial aid programs. The study admitted that no clear evidence has shown that eliminating the formulas would result in greater consistency in distributing funds to needy students, but it questioned the need for three separate formulas. Although the study made no recommendations, we believe that the inconsistencies noted above should be eliminated.

INSTITUTIONAL APPLICATIONS OFTEN OVERSTATED NEEDS

Applications submitted by institutions for campus-based funds are supposed to reflect the cumulative financial need of their students. However, aid officers know from past experience that the State allotment formulas (and, to a lesser extent, the panel review process) resulted in significant differences between the amounts schools requested and the amounts they received. For example, funds received for fiscal years 1976 and 1977 by the schools in our review averaged 48 percent of the amounts requested, with a range of from 11 to 72 percent. Because of these differences, some institution officials inflated requests to compensate for the amounts they requested but did not receive.

In a previous report, 1/ we concluded that the allocation process did not insure an equitable distribution of appropriated funds. As a result of certain institutions overstating their needs, some institutions received all of or more than the funds actually needed, while others received substantially less than they needed.

1/"Administration of the Office of Education's Student Financial Aid Program" (B-164031(1), Apr. 4, 1974).

We asked OE and State officials and institutional aid officers whether inflated requests were still a problem. According to them, most schools continue to inflate their applications to get the funds they need. Additional reasons for inflating, according to one OE official, were:

--There is more competition for Federal aid as the number of eligible schools increases.

--Schools are competing for students, and there is a direct relationship between the amount of aid available at a school and the number of students it can attract.

--Aid officers' job security is directly related to their ability to obtain aid money.

In its June 1977 report, the Student Financial Assistance Study Group stated that:

> "* * * the application and funding processes are complex, burdensome and time consuming. They encourage grantsmanship and speculation on the future. * * * In order to receive the dollars it actually needs, the applicant institution may submit an inflated application to compensate for reductions necessitated by the State allocation formula * * * and decisions are based upon projected figures that are difficult to estimate and impossible to validate until two years later."

Aid officers at 13 of the 23 schools we visited admitted they inflated the amounts on their applications.

One aid officer said he had requested the amount of funds he actually needed for fiscal year 1973. Because the request was so severely reduced, he has overstated the amounts on his applications since then. According to another aid officer, he requested more funds than he could possibly use.

The following table illustrates the inflation of applications by three schools in our review.

	School A	School B	School C
1. Amount of campus-based aid received	$268,000	$ 575,000	$3,592,000
2. Amount of additional campus-based aid needed to meet student need 100 percent (note a)	28,000	72,000	3,608,000
3. Total campus-based aid required to meet total student need	$296,000	$ 647,000	$7,200,000
4. Amount of campus-based aid requested	$834,000	$1,465,000	$8,821,000
5. Amount aid request was overstated (note b)	$538,000	$ 818,000	$1,621,000

a/Amount is based on our computation of the average estimated unmet need of students in our sample times the number of students receiving Federal financial aid (entire universe of Federal aid recipients at each school) and assumes that unmet need can only be met by additional campus-based aid. Thus, our estimate of overstated amounts is conservative.

b/Line 4 minus line 3.

Institutions can inflate their requests for campus-based funding in various ways. They can

--overstate the number of students needing aid,

--overstate the average need of students,

--inflate student budgets, and

--understate the amount of aid available from other sources.

The Student Financial Assistance Study Group cited a study by OE's region X to verify information submitted on the applications for the 1976-77 school year by 44 institutions. This study raised serious questions about the accuracy of historical data and projections used to justify the funds requested.

Although review panel members were generally aware that applications were often overstated, the panels could make only a limited review of the applications because of their number and length. For example, for the 1977-78 award period, the 24-member region II panel reviewed 434 applications and could devote only about 30 minutes to each. The region IX panel of 21 members reviewed 583 applications, devoting an average of 15 to 20 minutes to each application. The Student Financial Assistance Study Group commented on this problem as follows:

> "* * * the immense amount of data is difficult, if not indeed impossible for the panels to consider properly. The review of so much data, without computerized support which could provide comparative figures for similar types of institutions, make the panel review process subject to inequitable and inconsistent decisionmaking within each panel as well as between regions."

An aid officer told us that the review panels served no useful purpose because there was an appeal process under which OE made the final funding decisions. If an institution was dissatisfied with its panel recommendation, it could appeal to HEW. For example, one school appealed the panel's funding recommendations for fiscal year 1977, and the following changes resulted.

Program	Amount applied for	Review panel recommendation	Regional appeal approval
Direct Loan	$1,368,321	$486,561	$697,473
College Work-Study	542,965	324,817	429,508
Supplemental Grant	978,500	585,367	791,838

Another school appealed the panel's funding recommendations for fiscal year 1976, and the following changes resulted.

Program	Amount applied for	Review panel recommendation	Regional appeal approval
Direct Loan	$ 67,500	$ -	$ 26,566
College Work-Study	650,000	200,000	360,063
Supplemental Grant	360,000	140,000	199,696

Although OE did not have nationwide statistics on the effect of appeal actions, we analyzed appeals for eight schools in our review for the 1974-75, 1975-76, and 1976-77 award periods. The following table summarizes the results of our analysis.

Type of appeal	Number of appeal actions	Number increased	Number decreased	Number unchanged
Regional	46	22	2	22
National	7	1	-	6

The net effect of the regional appeal actions was an increase in recommended campus-based funding of $1,525,702. The net effect of the national appeals was an increase of $922,827. Adjustments in panel recommendations affect the amount actually received. According to OE, during the same 3-year period, there were 1,976 regional appeal actions. For 1974-75 and 1975-76 1/ there were 153 national appeal actions.

During calendar year 1974, HEW's region V experimented with an automated data processing system used in reviewing institutional applications for campus-based funds. The system was designed to reduce clerical aspects of the review process, increase the equitableness of allocations, and provide an updated data base for statistical purposes.

A region V evaluation of the system's first year of operation concluded that it improved the review process by providing more accurate data, improving communication between OE and the schools, reducing clerical activity, and improving analysis of the data on the schools' applications. The system was further tested in 1975. However, because of high operating costs, inadequacies in some programs, and OE's lack of confidence in the data base, the system was discontinued in December 1975.

According to OE officials, its revised process for allocating campus-based funds will calculate awards by computer and eliminate the controversial regional panels.

1/OE could not provide figures for 1976-77.

UNUSED FUNDS

Six schools in our review used all of the campus-based funds allocated to them during fiscal years 1975 and 1976; the other 17 schools did not. The total unused funds at these schools were $1.5 million for those 2 years. Reasons given were

--the rapid growth of the Basic Grant program and State grant programs, some of whose funds went to students who formerly received Supplemental Grants;

--the inability to award all Supplemental Grant funds received because there were not enough returning students qualified to receive continuing funds;

--the acceptance of College Work-Study awards by students who work very little or not at all;

--the receipt of reallocated College Work-Study funds too late in the school year to be fully used;

--a reluctance to award students Direct Loans when other forms of aid were available to meet needs, because of fear of a high delinquency rate on loan repayment; and

--inadequate school planning and poor administrative control.

The legal restriction against using initial year Supplemental Grant funds for continuing students and continuing year funds for first-time grant applicants (see p. 20) and the late reallocation of College Work-Study funds (see p. 21) may be legitimate reasons for underutilization. However, the other reasons could be excuses for intentional inflation of applications or weaknesses in program administration. The result is that schools have been awarded funds which they were unable to use. Surprisingly, most of these schools still showed unmet need for students in our sample.

For example, during 1976-77 the aggregate amount of unmet need at a 4-year public school was about $100,000. However, during the previous 2 years, the school did not use almost $400,000 in campus-based aid. Unused Work-Study and Supplemental Grant funds must be returned to the Treasury, whereas Direct Loan funds already received by schools remain there and reduce the next year's award unless unnecessary accumulation of capital would result. Fifteen schools that

had unused funds during 1974-75 and 1975-76 also had students with unmet need during these years; students at schools that used all of their available funds also had unmet need.

In the past, OE did not provide specific, quantitative criteria for evaluating an institution's request for funds versus its past use of similar funds. According to OE officials, the revised process for allocating funds to institutions will be based on actual verifiable data, such as past use of funds, enrollment, and other relevant factors.

Separation of Supplemental Grant funds between initial year and continuing year

The law that divides Supplemental Grants into initial year and continuing year allocations was intended to assure continued assistance for students who previously received aid under this program. According to aid officers, they can neither use initial year funds for students who have previously received Supplemental Grants nor use continuing year funds for first-time Supplemental Grant candidates, even though they might have more than enough in one category and not enough in the other to meet students' needs. They contend that a single allotment would enable them to better meet students' needs for these funds. Many schools have been unable to use the continuing year funds because of decreases in the numbers of eligible students caused by some dropping out. This results in available funds not being used. (See p. 19.)

Other schools unable to use continuing year funds have transferred these funds to the initial year portion through College Work-Study. The legislation and regulations for both the Supplemental Grant and College Work-Study programs permit transfers of up to 10 percent between these two programs. However, although it gives institutions some flexibility, this appears to be a cumbersome way to increase the use of Supplemental Grant funds.

After discussing this matter with aid officers and OE officials, we believe that a direct transfer between initial and continuing year funds would more efficiently deliver student financial aid. Aid officers told us that they would likely increase their use of Supplemental Grant funds if a single allocation were made. As early as 1974, the National Work Conferences on the Institutional-State-Federal Partnership in Student Assistance recommended either removing the distinction between initial year and continuing year awards or allowing schools to transfer moneys between these accounts.

Need for more timely reallocations

Funds sometimes become available for reallotment among States and reallocation among institutions. This can occur, for example, when the funds originally alloted to a State (by the statutory formulas) exceed the total panel-recommended amounts for the schools within the State. Also, some schools find that they have excess College Work-Study funds during the academic year and notify OE that this money is available. OE then reallocates the excess money to schools that need it. Our review showed the timing of the reallocation process to be a problem.

Some schools had not used all of their College Work-Study funds because they received requested reallocations too late in the school year. For example, at one school only $12 of $13,000 in additional College Work-Study funds was used because the institution did not receive the money until April 23, 1976, and it had to be used by June 30, 1976. As of May 5, 1977, another school had not received an additional $30,000 it was awarded on April 4, 1977. Aid officers at these two schools told us that, had the money been received earlier, they would have been able to use some or all of it for students having unmet need. If the schools are to use additional funds effectively, allocations must be received in time to adjust students' awards or make new awards.

CONCLUSIONS

The State allotment and panel review processes resulted in inconsistent distribution of campus-based funds to institutions. This occurred primarily because (1) the formulas for allotting funds to the States were inconsistent and did not include indicators of the relative need of students in the States and (2) institutions inflated the amounts requested on applications which were the basis for distributing the amounts alloted to the States. In addition, the division of Supplemental Grant funds between initial year and continuing year, and the lack of timely notification of reallocations of College Work-Study funds to schools that requested additional funds, contributed to some schools' underutilization of these campus-based funds.

In our April 4, 1974, report (see p. 14), we concluded that the allocation process did not provide for consistent distribution of funds. Schools did not receive campus-based aid in accordance with the needs of their students. Through the completion of the fieldwork on this review, the problems cited in our earlier report persisted.

Many schools did not spend all the funds they were allocated. In some cases this may have been beyond the institution's control, as in the case of reallocations received too late to be awarded to students and the restriction on the use of continuing year Supplemental Grant funds. In other cases underutilization could be attributed to intentionally inflated amounts on applications or weaknesses in institutional administration of the campus-based programs.

The efficiency and effectiveness of the campus-based programs in reaching needy students and in affording equal treatment of students in similar circumstances, regardless of where they are enrolled, could be improved by giving greater consideration to substantiated need and by allowing institutions more flexibility in the use of funds allocated to them.

OE's proposed revision to the process for allocating campus-based aid funds to schools (see pp. 9 and 10) addresses many of the problems discussed in this chapter. The new process is designed to eliminate the regional panel review process, use computers to objectively assign institutional need on the basis of verifiable data, and consider underutilization of previous years' funds. However, the Congress needs to reexamine the components of the State allotment formulas for the campus-based programs and consistently include, in each, indicators of relative need. We believe that using income and cost of living information from the Bureaus of the Census and Labor Statistics as indicators of need should be considered.

RECOMMENDATION TO THE SECRETARY OF HEW

We recommend that the Secretary direct the Commissioner of Education to complete implementation of the proposed revised funding allocation procedures to help reduce the inconsistencies in the distribution of campus-based funds and to allow that students in similar circumstances receive Federal aid in accordance with their needs.

COMMENTS OF OFFICE OF EDUCATION OFFICIALS AND OUR EVALUATION

OE officials concurred in our recommendation, and believed they had already complied with it. Specifically, the new process for allocating funds to institutions recommended by the Commissioner's Panel of Experts introduced several new features, including

--a combined annual fiscal operations report and application;

--a request based on actual verifiable data, including past use of funds, enrollment, and other relevant factors;

--procedures that produce a level of conditional guaranteed funding based on use subject to State allotment figures and a second fair share distribution of any extra funds after the first level is met;

--provision for institutions to appeal levels of funding to a national panel; and

--calculation of awards by computer and elimination of the controversial regional panels.

Implementation of this process began with the filing of applications in October 1978. The Bureau of Student Financial Assistance plans to notify institutions of tentative levels of funding each January, consider appeals in February, and provide notices of final awards in March. OE officials said that, because a change in the State allotment formula requires congressional action, awards must be based on the same statutory State allotment requirements as before.

We believe that OE has taken several steps toward improving the allocation of campus-based student aid funds. However, because (1) these revised procedures were initiated after our fieldwork, (2) regulations for the second and third phases have not yet been issued, and (3) many aspects of the revised procedures have still not had sufficient time to function, we cannot say whether further improvements are needed. We believe, however, that the appeals procedure mentioned by OE officials and the funds allocation process itself must be kept as free as possible from the "grantsmanship" practices used by some institutions in the past. Also, for the most benefit to be achieved from the revised procedures, the Congress needs to take action on the following recommendations.

RECOMMENDATIONS TO THE CONGRESS

We recommend that the Congress revise the State allotment formulas for the Supplemental Grant, Direct Loan, and College Work-Study programs to reduce the inconsistencies in the distribution of funds under these programs. Some points to consider are

--including in the statutory formulas for all campus-based programs consistent indicators of relative need of students in the States;

--making formula factors for each of the campus-based programs consistent with the types of students who are eligible; and

--eliminating the distinction between initial and continuing year awards under the Supplemental Grant program or permitting the interchange of such funds while assuring that all qualified students who receive initial year grants continue to receive Supplemental Grants for the duration of their undergraduate enrollment.

CHAPTER 3

IMPROVEMENTS NEEDED IN SYSTEMS FOR DETERMINING NEED

Financial need is the primary eligibility criterion for all OE programs discussed in this report. OE defines "need" as the difference between the cost of education and the expected family contribution. These two factors have been specifically defined by the Congress and in HEW regulations for the Basic Grant program. For the campus-based programs, financial aid officers and need analysis firms are allowed flexibility in defining these terms. This has resulted in (1) different measures of expected family contribution under the various student assistance programs and (2) inconsistent treatment of students in similar situations who attend different schools.

Also, because OE has not established uniform procedures for verifying information on aid applications under the Basic Grant and campus-based programs, aid has been awarded on the basis of conflicting information.

DIFFERENT SYSTEMS FOR DETERMINING FINANCIAL NEED

The Basic Grant program has its own need analysis system. Eligibility for the campus-based programs can be determined by any of several OE-approved systems, including the Basic Grant system. However, most schools prefer not to use the Basic Grant system for various reasons. For instance, aid officers told us that this system does not provide them with enough information to meet individual needs.

The two major analysis systems in use for the campus-based programs are those operated by the College Scholarship Service and the American College Testing Program. Schools select a system and pay the service firm an annual fee. Students at most schools applying for campus-based aid are instructed to submit a completed need analysis application to one of these firms. Results of the analysis are sent directly to the school. ACT and CSS previously had different methods of computing family contribution, but they adopted a common processing formula (consensus model) for the 1976-77 and later award periods.

Beginning with the 1978-79 award period, students may apply for Basic Grants, as well as campus-based aid and aid from the States of Pennsylvania and New Jersey, on a single form. Information required of Basic Grant applicants will be collected on the ACT, CSS, New Jersey, and Pennsylvania applications. This information will be forwarded to HEW's Basic Grant processing contractor, which will analyze the information and produce student eligibility reports as in previous years. Students applying for only Basic Grants will continue to complete a form specifically for that program.

Student aid applicants are generally encouraged to apply for Basic Grants. Consequently, in the past most applicants for campus-based aid have filed at least two need analysis forms, one for Basic Grants and another for the campus-based programs.

Different systems result in different measures of family contribution

The Basic Grant system and the other analysis systems can produce significantly different results for the same applicant because of different treatment of income, assets, family size allowances, and other factors in determining the family contribution. For example, the following table shows for three students at one school the variance in financial need resulting from use of three different systems.

	Financial need computed by (notes a and b)						
	Basic Grant system		State aid system		CSS		Financial need variance (note c)
	Need	Award	Need	Award	Need	Award	
Student 1	$4,478	$ 726	$4,842	$1,200	$3,975	$2,049	$867
Student 2	4,953	1,176	5,198	1,200	4,770	1,702	428
Student 3	4,092	326	4,833	1,200	4,300	800	741

a/Basic and State grants are outside the control of the aid officer who, in the above cases, relied upon the CSS analysis to compute campus-based awards.

b/Each system computes need independently of the others. Information on all aid that will be received by the student is not available when need analysis is performed.

c/Computed by subtracting the smallest computed need from the largest.

Aid was awarded to these students by the Basic Grant program using its need analysis, the State using its analysis, and the campus-based programs using the CSS analysis. The amount of aid received and the amount of unmet need varied significantly depending on which need analysis system was used. For example, student 1 received a total award of $3,975 and would have unmet need (need less total award) of $503, $867, and $0 under the systems. Student 3 would have unmet need of $1,766, $2,507, and $1,974, depending upon which computed need was used. The process of data verification (see pp. 31 to 33) is made difficult because the different systems require different information.

At another school we compared the family contribution computed by ACT and the Basic Grant system using the same data for 47 students. The average difference in expected family contribution was $325, with individual differences ranging from $0 to $4,265. Most of the students in our sample had their family contributions (and financial needs) computed by two or more systems.

Moreover, because priorities have not been established for the types of aid to be awarded and because aid officers do not control Basic Grant awards and State grants, students could receive aid in excess of their need even before any campus-based aid is awarded. (See pp. 42, 45, and 46.)

Potential for using only one need analysis system

Several student aid advisory groups have found that parents and students find the different expected family contributions confusing. Also, private, State, and Federal systems vary in their use of estimated versus actual family income, which might result in inconsistent treatment of students from program to program. In addition, each student's use of two or more need analysis systems results in duplicative processing of data.

For the 1976-77 award period, CSS and ACT collectively processed about 2 million need analysis forms. In addition, numerous analyses were processed through other approved systems, including the Basic Grant system. During the same period, about 4 million Basic Grant applications were processed by OE's contractor. Applicants for campus-based aid generally pay at least $4 for processing the need analysis. In some instances, the school pays the fee. Processing of Basic Grant applications is paid for by OE under a contract which cost the Government about $5 million for the 1976-77 award period.

Several student financial aid study groups have recommended that a single need analysis system be used for all the student aid programs. In the past OE did not believe this action was feasible. OE officials told us they would face a dilemma in adopting a single need analysis system because (1) if they used only the Basic Grant system with its stringent eligibility formulas, many students now eligible for campus-based aid would become ineligible or receive significantly less aid and (2) if they adopted the consensus model (see p. 25), the more liberal needs assessment processes would increase the amount of Basic Grant funds needed.

An OE official estimated that, based on the original fiscal year 1979 budget request, the cost of the Basic Grant program would be increased by $1 billion if the consensus model were used. However, provisions of the Middle Income Student Assistance Act (Public Law 95-566) passed on November 1, 1978, would make students from families earning up to $25,000 a year eligible for Basic Grants. During the period covered by our fieldwork, the upper income limit was $15,000. This change would expand the Basic Grant program by an estimated $1 billion and 3.1 million students. According to an OE official, if the program is funded at the higher level, using the consensus model will not significantly increase the cost of the Basic Grant program above this level.

In August 1978 we discussed the feasibility of using a single need analysis for all OE programs with the Deputy Commissioner for Student Financial Assistance. He said that, although increased funding of the Basic Grant program will greatly increase the systematic feasibility of using a single need analysis system, some political and practical factors must be considered. These factors include:

--The question of who will pay for processing students' applications.

--The effect on the private need analysis firms.

--The need to adjust either the Basic Grant formula or consensus model formula. Although adjustments to the Basic Grant formula would be made as a result of the increased funding levels, the increased funding would not eliminate all differences between the two formulas.

STUDENTS IN SIMILAR CIRCUMSTANCES TREATED INCONSISTENTLY BY SCHOOLS

Because of the flexibility allowed in considering factors that affect the student's cost of education (for example, books, transportation, personal expenses) and family contribution (for example, family size allowances and retirement reserves) for the campus-based programs, the amount of aid a prospective student can be offered varies significantly among different schools even when circumstances are similar. Each school is free to establish students' budgets and to adjust the family contribution determined by the need analysis system.

Budgets

The two major determinants of a student's financial need are the cost of education and the family contribution. The Basic Grant program places limits on the eligible cost of education, but the campus-based programs afford participating institutions greater flexibility in developing student budgets. For example, campus-based program regulations define the cost of education as

> "* * * tuition and fees, the amounts charged by the institution or the expenses reasonably incurred for room and board, books, supplies, transportation, and miscellaneous personal expenses, and expenses related to maintenance of a student's dependents."

Therefore, in addition to having different estimates of expected family contribution, the aid applicant often has two or more estimates of the costs of education or budgets.

The campus-based programs' regulations provide for student budgets which include noneducational costs. The schools make inconsistent allowances for similar or identical items. Although most schools in our sample developed a series of standard student budgets, one school accepted estimates of expenses from its students. At this school the 1976-77 budget used for one student included $2,508 for paying bills to various department stores and specialty shops, an automobile service center, a finance company, and the city. Also included were $600 for recreation and $655 for medical and dental expenses. We believe that such allowances are excessive and that limits should be placed on these costs.

The amounts budgeted by the schools in our review for items other than tuition and fees for a dependent student living at home varied from $100 to $2,640. Although some variations should be expected due to cost of living differences among geographical areas and other extenuating circumstances, the amounts ranged from $1,450 to $2,250 in one metropolitan area, where the actual cost of several of the items included should have been about the same for all students. The allowed budgets for three schools we reviewed in this area were:

Standard budget item	School 1	School 2	School 3
Room and board	$ 750	$1,025	$ 702
Personal expenses	400	450	585
Books	150	175	200
Transportation	150	600	585
	$1,450	$2,250	$2,072

The $600 transportation allowance used by school 2 was standard for all students, even though bus transportation was available for most students at a cost of less than $1 per day, or about $150 per year. The financial aid officer was unable to satisfactorily explain the basis for the $600 allowance. At school 3 the average round trip is about 26 miles per student, and no public transportation is available.

Another school allowed $225 for dormitory students' transportation costs for two round trips to their homes. Most of these students lived in the States where the school was located. The total cost of two round trips by bus for most students was less than $85.

The budgets of the schools reviewed included room and board allowances for dependent students living at home that ranged from $0 to $1,650. Allowances to married students at two schools in the same city for the support of a child were $1,400 and $850--a difference of $550.

OE's allowance of different calculations of costs of education for Basic Grants and the campus-based programs can be confusing for students and time consuming and burdensome for aid officers. Furthermore, it is an illogical way to determine aid under programs administered by one agency. We believe OE should issue regulations concerning elements of the cost of education (for example, books, fees, room and board, and miscellaneous expenses) that can be applied to all of its student aid programs.

Adjustments to family contribution

At five schools in our review, financial aid officers routinely made adjustments to the family contributions computed under the need analysis systems used for the campus-based programs. Among these adjustments were

--changing the amount included in the student contribution as summer savings and

--revising the treatment of nontaxable income.

During the 1976-77 award period, aid officers at 14 of the 16 schools in our sample that used one of the two major national need analysis systems made adjustments to the family contribution, either routinely or in special circumstances. Thus, the family contribution could be computed differently at different schools, even though they used the same need analysis system. For example, two 4-year public institutions both used the same need analysis system. One school generally used the family contribution figures provided by the system; the other routinely adjusted the family contribution figures to reduce the expected summer savings, thus increasing the amount of the grant.

Although flexibility is needed to adjust the family contribution figure to account for extenuating circumstances, at least three schools' aid officers arbitrarily adjusted items. The reasons for these adjustments frequently were not documented. When questioned, aid officers could not always remember the reason or provide a reasonable explanation for the change.

For example, a proprietary school purporting to use CSS's need analysis system used its own forms and manually computed the family contribution. This school failed to collect some information, such as cash balances and home equity, that is needed to compute the contribution. When questioned, the aid officer said there was no need to request this information from the students because they were too poor to have such assets.

Need for verification of aid application information

At the 17 schools in this review that used the ACT, CSS, or modified Basic Grant analysis systems to calculate need for campus-based aid, we compared the data on the applications

of the 780 students in our sample who received both campus-based aid and Basic Grants. Thirty-four percent of these students reported differences of $100 or more in data on the two applications. For example, the following family income was reported on the applications of seven students at one school.

Student	Basic Grants	CSS	Difference
1	$ 4,269	$18,925	$14,656
2	0	8,000	8,000
3	7,764	4,404	3,360
4	6,390	8,798	2,408
5	11,000	12,864	1,864
6	10,234	9,110	1,124
7	5,976	7,068	1,092

Students also frequently reported differences in other data, including assets, expenses, and number of family members.

The data differences can significantly affect the amount of awards. For example, one dependent student reported family income of $2,500 on his Basic Grant application and was awarded a Basic Grant of $962. His application for campus-based aid showed family income of $17,412. If this amount had been reported on his Basic Grant application, he would have been ineligible for an award. However, the school did not routinely verify information reported by financial aid applicants.

In noting such differences, we did not try to determine which form contained current, correct information. However, the frequency of differences between the two applications is significant--for 34 percent of the students who file both applications, at least one of the forms is incorrect or includes data that changed after the initial form was filed. Financial awards made to these students were likely to be too high or too low under either the Basic Grant program or the campus-based programs.

A February 1977 study by the State of Wisconsin of nearly 27,000 students who filed both Basic Grant and campus-based applications showed significant data differences in about 50 percent of the cases. The study attributed these differences to (1) applications being filed at different times, (2) carelessness in completing the applications or misunderstandings about the questions, and (3) purposeful understatement.

There is also evidence that, after submitting applications for Basic Grants, students can revise them to increase the amount of the award. The financial aid director at one school estimated that 65 of 1,100 students who applied for Basic Grants later revised their applications.

Three examples in which students revised their Basic Grant applications apparently in order to receive larger grants are summarized below:

--A student reduced reported parents' income from $11,378 to $11,000 and increased itemized deductions from $0 to $11,000. This resulted in changing the eligibility index from 599 to 0 and increasing the Basic Grant from $826 to $1,400. No attempt (such as reviewing tax returns) was made to verify the revised data.

--A student reduced her reported income from $1,988 to $0 and reduced her reported cash savings and checking account from $600 to $0. This resulted in changing the eligibility index from 1,063 to 0 and increasing the Basic Grant from $326 to $1,400.

--A student revised her status from independent to dependent, thereby causing her income of $1,756 not to be included in the Basic Grant need analysis formula. This resulted in changing the eligibility index from 567 to 0 and increasing the Basic Grant from $826 to $1,400.

At another school, a student who was ineligible for a Basic Grant based on his first application reduced reported family income from $6,995 to $2,769. As a result, he received a maximum Basic Grant of $1,400, and his total aid package was $1,851 more than the need computed by ACT for the campus-based programs. The revised income data were not verified.

At the time of our fieldwork, schools were not required to verify data on the applications for the Basic Grant program or the campus-based programs. However, 9 of the 23 schools visited were doing some routine verification of financial data used in the need analysis for the campus-based programs. This ranged from requesting verifying data from a sample of students to intensively examining Federal tax returns for every aid applicant.

To more equally match the aid awarded to students with their actual need, data on which the need analysis is based should be accurate. A systematic, comprehensive system of data verification would help to assure such accuracy.

Some schools in our review, as well as others not included, have established such systems and have made studies which show that the systems are cost effective. For example, one school in our review, after a 1973 study showed that 39 percent of the aid applicants had understated their income by $1,000 or more, established a requirement that all aid applicants submit Federal income tax returns. The school's aid director estimated that a 100-percent verification of aid applications would cost between $30,000 and $50,000 annually and would identify an additional family contribution of $1.3 million each year. According to him, all schools should require submission of tax returns because more accurate data would result in higher family contributions, which would enable the schools to help more needy students. His school has reportedly not had any major problems in obtaining tax returns.

A similar study in 1974 at another school showed that, for nearly 52 percent of the applicants, the family contribution computed for the campus-based programs would have been higher if the family contribution had been based on the data reported on Federal income tax returns. For 23 percent of the applicants, the family contribution would have been greater by $250 or more.

In a report on the Basic Grant program 1/ issued after fieldwork on this review was initiated, we recommended that HEW increase and strengthen actions to verify applicant information. HEW substantially agreed with these recommendations and on January 25, 1979, OE published regulations to strengthen the effort to control student abuse of the Basic Grant program.

Proposed regulations for the campus-based programs would require schools to validate data reported by students who file an application before January 1 preceding the academic year for which aid is requested. According to an OE official, the validation requirement applies only to such applicants because they use estimated data, whereas those who apply after January 1 can take actual income and expense data from earning statements and Federal income tax forms.

1/"Office of Education's Basic Grant Program Can Be Improved" (HRD-77-91, Sept. 21, 1977).

CONCLUSIONS

In many cases both students and the Federal Government have incurred processing costs to determine the students' financial need. This resulted because OE allowed institutions to use different systems for determining students' need under the Basic Grant and campus-based financial aid programs. These systems produce different measures of need assessments for the same student and often confuse students and parents.

The systems request different information from students applying for Basic Grants and campus-based programs. This can make data verification more difficult for aid officers attempting to resolve conflicting information supplied by applicants.

OE brought the following problems associated with developing a single need analysis system for Basic Grants and the campus-based programs to our attention.

--The question of who will pay for the processing of students' applications.

--The effect on the private need analysis firms.

--The need to adjust either the Basic Grant or consensus model formulas.

Because student aid applicants are generally encouraged to apply for Basic Grants, OE is already paying for a need analysis for most of the students who would use the single need analysis. For students who would not now receive an OE-financed need analysis, we believe the per-student cost would not be a significant burden on either OE or the student.

Although we recognize that using a single need analysis may adversely affect some need analysis firms and will require an adjustment in one of the formulas, we believe the effort is justified in terms of reducing (1) duplication of effort, (2) parental and student confusion, and (3) inconsistent treatment of students in similar circumstances.

The cost of education varies significantly among postsecondary institutions. OE's established criteria for determining costs of education for the Basic Grant and the campus-based programs allow different cost calculations and considerations. Basic Grant criteria are quite specific, whereas

those for the other programs are more flexible. Consequently, the same applicant often has two (or more) estimates of the costs of education or budgets. The flexibility allowed institutions in establishing student budgets for the cost of attendance and in modifying the results of need analyses can be beneficial; however, it can also result in inconsistent treatment of students in similar situations at different schools.

The data verification procedure in the Basic Grant regulations should improve the accuracy of the data used in determining eligibility for and amounts of Basic Grants. Proposed regulations for the campus-based programs, by requiring verification of applications submitted before January 1 preceding the academic year for which aid is requested, should improve the accuracy of student- and parent-supplied data submitted by some campus-based aid applicants. Most applications for campus-based aid, however, are submitted after January 1. The absence of a requirement for data verification of these applications might result in awards being made on the basis of incorrect or outdated data.

RECOMMENDATIONS TO THE SECRETARY OF HEW

We recommend that the Secretary direct the Commissioner of Education to:

--Implement a single need analysis system that will (1) use one aid application, (2) compute one family contribution figure, and (3) determine one financial need figure for each student.

--Establish more specific criteria for allowable students' living and miscellaneous expenses and make such criteria consistent for and applicable to Basic Grants and the campus-based programs.

--Require student- and parent-supplied data verification for the campus-based aid programs regardless of when the application is filed. This verification should be made by financial aid officers before awards are made.

COMMENTS OF OFFICE OF EDUCATION OFFICIALS AND OUR EVALUATION

Office of Education officials concurred in the concept of a single need analysis system. They said the following steps are being or will be taken toward implementing such such a system:

--In preparing for the 1979-80 reauthorization of the Higher Education Act, HEW is developing legislative proposals that will address our recommendation. Ideas being considered include a single form and a system to calculate a need figure for all Federal need-based student aid programs. Another issue being explored is the formation of an outside group to develop an annual family contribution formula, which would be submitted to the Secretary of HEW for approval.

--Concurrent with the development of the reauthorization proposals, OE is developing a single application for the 1980-81 academic year, and is working with private need analysis firms and States to encourage them to adopt it as well. Some ideas being explored include (1) having students submit W-2's or actual tax forms rather than providing information from those documents, (2) having short and long forms similar to Internal Revenue Service forms, and (3) developing programmed applications with built-in instructions. This process is underway, and a final form should be ready by the late summer of 1979.

OE officials agreed in part with our recommendation to establish more specific criteria for allowable students' living and miscellaneous expenses and to make such criteria consistent for and applicable to Basic Grants and the campus-based programs. They said that one of the proposals being considered in the reauthorization deals with the problem of inconsistencies among institutions in determining off-campus living allowances and reasonable amounts of miscellaneous expenses in establishing student budgets for the campus-based programs. Since the campus-based programs are intended to give institutions the flexibility to take into consideration different student situations, OE officials believed that setting absolute cost criteria and levels for allowances was not appropriate.

One approach being considered by OE is to set up uniform procedures for determining these costs in the campus-based programs. These procedures would be designed to take into account varying costs of living, thus enhancing schools' ability to deal with differences in individual student situations. Schools not using these procedures would be required to use national averages developed by OE.

In contrast to the procedures being considered for the campus-based programs, OE officials told us that the Basic

Grant program is a nationwide formula-based program which does not allow for adjustments to reflect different student situations. Uniform, consistently applied criteria govern the awarding of Basic Grants. Therefore, OE officials said that the use of standard cost elements and allowances is appropriate. Since the 1974-75 academic year, eligible off-campus students have been entitled to maximum allowances of $1,100 for off-campus living costs and $400 for miscellaneous expenses. Because of the different requirements of the Basic Grant and campus-based programs, OE officials believe that having the same off-campus allowances would be inconsistent with the purposes of these programs.

As mentioned, we agree that the flexibility to take into consideration different student situations which exists in the campus-based programs is desirable. However, our recommendation is intended to curtail the types of situations discussed on pages 29 and 30 wherein (1) students were allowed to include what we consider unreasonable expenses in their cost of education budgets and (2) schools did not adjust budgets to reflect the fact that some students might not incur costs which the schools calculated by using a standard allowance.

We also believe that students in similar financial situations should be treated alike. Under present OE procedures this does not always happen because different schools' financial aid officers use different policies. Therefore, we believe that OE should establish more specific criteria for maximum amounts and allowable types of miscellaneous and living expenses and that these allowances should be applicable to both Basic Grants and the campus-based programs. If, as OE officials have stated (see pp. 36 and 37), they are exploring a single need analysis form and a system to calculate one need figure applicable to all Federal need-based student aid programs, we believe that permitting different allowances for the Basic Grants and campus-based programs for miscellaneous and living expenses is unrealistic.

Since academic year 1974-75, under the Basic Grant program OE has allowed up to $1,100 as an off-campus living allowance and up to $400 for miscellaneous expenses. These amounts, established in OE regulations, are subject to change by the Commissioner. Therefore, we believe that allowances for such expenses under the Basic Grants and campus-based programs could be changed to more accurately reflect realistic allowances for such expenses which could (1) maintain the

existing flexibility in the campus-based programs and (2) treat students in similar circumstances more equitably by curtailing the unreasonable allowances that some schools have charged to Federal programs.

OE officials concurred in our recommendation to require student- and parent-supplied data verification for the campus-based aid programs. These officials believed that to some extent this process will begin in the 1979-80 academic year, when the regulations dealing with institutional standards for administrative capability and fiscal responsibility become effective. These regulations require institutions to have a system to ensure the consistency of all documents related to a student's eligibility for aid. According to OE officials, this requirement, coupled with the validation requirements in the Basic Grant Program, will identify the kinds of problems discussed in our report.

In addition, OE is planning to develop procedures for more vigorous validation of students receiving campus-based aid who do not apply for Basic Grant funds. However, since the Basic Grant population will expand as more middle income students become eligible for such aid, OE officials stated that they will have to study this further before finalizing their procedures.

CHAPTER 4

INCONSISTENT DISTRIBUTION OF AID TO STUDENTS

OE's student aid programs are helping many needy students get a postsecondary education. However, aid packaging policies and procedures have resulted in unequal and inconsistent treatment of aid applicants.

Under the campus-based programs, award amounts are determined by financial aid officers at postsecondary schools. These aid officers are responsible for helping students meet the cost of education with the resources available to the school, such as various types of grants, scholarships, loans, and work-study funds available from Federal, State, private, and institutional sources.

Schools' policies and procedures for packaging financial aid have resulted in some students receiving more aid than they need, while others are left with large unmet needs. Also, students with the greatest need do not always get the most aid. Some students' needs are met entirely by grants, while others' are met mostly with work-study or loans (referred to as "self-help" aid). If low-income students receive small grants and large amounts of self-help aid, they can be burdened with excessive payback requirements in the case of loans and long hours of work in the case of work-study commitments.

Some students have received duplicate payments for education expenses because aid officers have not considered all available sources of assistance.

This chapter addresses the inconsistencies in distributing aid to needy students. In demonstrating these inconsistencies we have relied on the financial need figures used by the financial aid officers at the schools in the review. In previous chapters we have pointed out that the need figures may be inflated or otherwise be questionable. Therefore, the amounts of financial need, unmet need, and overawards used in this chapter are intended to illustrate the nature of the problem, rather than precisely measure its extent.

OVERAWARDS AND UNMET NEED

Of the 1,669 students in our review, 1,140 received aid from one or more of the campus-based programs. In these

cases, the campus financial aid officer had some control over the total amount of aid received. The other 529 students received aid from Basic Grant, Guaranteed Loans, and State and private sources, which were not under the aid officer's control.

Campus-based aid recipients

Most of the 1,140 students in our sample who received campus-based aid also received aid from other sources. Nevertheless, most of these students did not receive enough aid to meet their need, as computed by the need analysis system used for the campus-based programs.

At 22 of the 23 schools, 818 students had unmet need averaging about $711. The average unmet need by school ranged from $143 to $1,717 per student. One reason for students' unmet need was that the schools did not have enough aid to fully meet the needs of all students. Another reason was that some students refused to accept loans or College Work-Study. Some of the 529 students who received aid from Basic Grants, Guaranteed Loans, and other sources were eligible for campus-based aid; however, they did not apply for such aid even though their aid files indicated unmet need.

At one school, student aid packages did not show unmet need because the school awarded enough College Work-Study to fill any unmet need after other aid had been packaged. In some cases, however, the aid packages reflected unrealistic situations because the students could not reasonably be expected to work the number of hours required to earn the amount awarded.

At 19 of the schools, 238 students had received an average of $192 in excess of their need. Average overawards by school ranged from $20 to $655. Regulations for the campus-based programs permit certain loans made under the Guaranteed Student Loan program to satisfy the expected family contribution. In computing overawards we did not consider loans as a source of aid when they were used for this purpose.

The primary reasons for the overawards, according to campus financial aid officers, were that:

--Students may have failed to report certain resources, such as aid from the Veterans Administration, the Social Security Administration, or other sources.

--Students obtained loans under the Guaranteed Student Loan program which exceeded the family contribution without the aid officers' knowledge or after a full package of other aid had been awarded.

--Students may have brought in a Basic Grant student eligibility report, entitling them to a grant, after a full aid package had been awarded, and the aid officer did not adjust the aid package.

Another explanation for the overawards is that schools have adopted different packaging philosophies because OE has not issued any guidelines for packaging aid when various sources are involved.

We believe that the aid officer has a responsibility to adjust campus-based awards, when possible, to prevent individual students from receiving more aid than they need. Current campus-based program regulations permit overawards of up to $200. (See footnote, p. 46.)

We do not believe that overawards are justified, especially when many students have unmet needs. All 19 of the schools with students receiving overawards also had students with unmet need. For example, at one school, 21 students received an average of $327 more than they needed, while 25 others had unmet needs averaging $642. At another school, 30 students received overawards averaging $501, while 104 others had unmet needs averaging $924.

The aggregate unmet need of the students in our total sample at the 23 schools was more than 10 times the amount of the aggregate overawards. Interestingly, most of the students with unmet need were able to remain in school.

Basic Grant recipients

Of the 529 students in our sample who did not receive campus-based aid but did receive Basic Grants and other aid not under the control of the financial aid officer, 76 had overawards. Fifty of the overawards could have been eliminated if the schools had authority to reduce the Basic Grant entitlement. When such aid packages are involved, OE and the financial aid community need to establish an order in which sources of aid can be eliminated from students' financial aid packages so that aid does not exceed need.

NEEDIEST STUDENTS ARE NOT ALWAYS AWARDED MOST AID

Students with the greatest financial need often do not receive the most aid. For example, at a proprietary school, students had average financial need of $3,384 and average awards of $1,721. Students at a 4-year public school had average financial need of $2,780 and average awards of $2,167. At a 2-year public school, students had average financial need of $2,170 and average awards of $1,226.

Although each of the campus-based programs has established criteria for maximum awards, no overall criteria exist for packaging a given student's aid from the various available sources. As a result, packaging philosophies have varied at different schools. Some schools limit aid to a certain percentage of a student's needs, while others have aid "ceilings" that limit the aid given to an individual student, regardless of need.

Striking examples of the latter are provided by some of the proprietary schools. The policy at three of the five proprietary schools in our review was to limit aid to the amount of tuition and fees charged. This can result in substantial unmet financial need for students who have to pay for transportation, room and board, and other education-related costs.

Students at these three schools had unmet need averaging about $1,451. From 28 to 50 percent of the students in our samples at these schools had either terminated or suspended their course of study before completion. At the school with the highest percentage of dropouts (50 percent), financial aid files indicated that 7 of 15 students in our sample dropped out for financial reasons.

School officials told us that, in their experience, 35 percent of students who do not receive financial aid drop out. However, among financial aid recipients who do not receive enough aid to meet their financial needs, the dropout rate is much higher. According to the officials, among a sample of 106 financial aid recipients enrolled from February to April 1976, there were 73 dropouts, 39 of whom dropped out due to unmet financial need. The other 34 gave other reasons or no reason for dropping out.

It is not clear whether the schools that limit students' aid to amounts returned to the school for tuition and fees

do so because of profit motive or because they lack funds to provide more aid. By limiting aid to tuition and fee charges, however, they are contributing to the inconsistent treatment of students in similar circumstances.

INCONSISTENT DISTRIBUTION OF GRANTS, LOANS, AND COLLEGE WORK-STUDY AMONG STUDENTS

Schools in our review did not distribute grant and self-help (work-study and loan) funds consistently among students. While some students were awarded aid packages which met their entire need with grants, others in similar economic situations were awarded only loans or College Work-Study. In some instances, the grants (for example, Basic Grants or State grants) were outside the control of the aid officer. However, in other cases, the awards included Supplemental Grants awarded by the aid officer. If low-income students with high need must rely entirely on self-help, they may be burdened with an unrealistic number of work hours and large loans. The following examples from three schools illustrate the inconsistent distribution of grants and self-help aid to students in similar situations.

School	Student	Need	Aid awarded		Unmet need or over-award (-)
			Grants	Self-help	
A	1	$2,100	$1,448	$ 750	$ -98
	2	2,100	0	1,200	900
B	1	1,550	1,200	350	0
	2	1,550	0	200	1,350
C	1	3,630	2,576	1,600	-546
	2	3,375	900	1,000	1,475

At each school, the aid package of student 1 included Supplemental Grant funds awarded by the aid officer. A more consistent distribution of self-help and grant aid would have helped achieve a more equal treatment of students in similar circumstances.

Equity packaging

In a June 1975 report, the National Task Force on Student Aid Problems (referred to as the Keppel Task Force) 1/ recommended a concept called "equity packaging." The concept suggests bringing each aid recipient to a predetermined equity level, composed of family contribution and grants, before distributing loans and work-study. The concept is based on two premises:

--That students with lesser resources from parents and other sources that do not require employment or borrowing have a greater claim on scholarships and grants than students who have greater resources available from such sources.

--That scholarships and grants should be distributed so as to equalize opportunity rather than to perpetuate existing inequities caused by birth or inequitable access to other resources.

Variations of the Keppel equity packaging model have been developed by schools and a need analysis firm. One sets the equity level as a percentage of budget instead of the fixed dollar amount of the Keppel model. The other is also based on percentage of budget but requires a minimum dollar amount of self-help before any other aid is awarded. A packaging concept similar to these might help alleviate some of the inconsistent treatment of students in similar circumstances.

NEED TO IDENTIFY OTHER AID SOURCES

Students may receive aid from various sources other than OE. These sources include the Veterans Administration, the Social Security Administration, welfare agencies, the Bureau of Indian Affairs, and others. Regulations for the campus-based programs require institutions to appoint an official to coordinate OE student aid programs with other Federal and non-Federal student aid programs. The regulations, which establish criteria for a student's total award, state that:

1/This task force, representing more than 26 educational associations and organizations, was formed in May 1974 to study the problems of student aid delivery systems.

"An institution may not award assistance under this part in an amount which, when combined with the other resources made available to the student from Federal and non-Federal sources, exceeds the student's financial need. * * *" 1/

The regulations define "resources made available to the student from Federal and non-Federal sources" as follows:

"* * * includes, but is not limited to, the amount of funds a student is entitled to receive under the basic grants program * * * any waiver of tuition and fees, any scholarship or grant-in-aid including supplemental grants and athletic scholarships, any fellowships * * *, any loan made under the guaranteed student loan program * * *, any long term loan made by the Institution other than under the guaranteed student loan program and any net earnings * * *."

However, students often omit other aid on their need analysis applications. Whether the omissions are intentional or caused by oversight or misunderstanding, the result can be duplicate awards of Federal and State funds and, in some cases, overpayments since aid officers are not aware of the other aid sources.

We did not review the regulations of other agencies that administer student assistance programs to determine whether they have a requirement similar to OE's for an official to coordinate the various types of aid. However, we believe the Office of Management and Budget should require all Federal agencies that provide student financial aid to implement procedures to inform financial aid officers of assistance provided to each student.

1/This provision prohibits overawards, but regulations provide that any award which does not exceed the computed need by more than $200 is not to be considered an overaward.

In a report to the Secretary of HEW on the National Direct Student Loan Program, 1/ we pointed out that some students did not always report all aid resources, such as veterans benefits. HEW concurred in our recommendation that it instruct aid officers to coordinate the various types of aid students receive. According to an OE official, institutions involved in OE's student assistance programs will receive a summary of our report, and OE will reemphasize the need for aid officers to seek information from other campus officers about resources other than campus-based aid.

During fiscal year 1977 VA educational assistance programs provided about $2.8 billion in financial aid to veterans and their eligible dependents for school and living expenses. Four different kinds of payments can be made on behalf of or to a student. Unlike OE aid, these benefits are not need based.

In this review we identified 70 students among our sample of 1,669 who were receiving VA benefits that had not been reported on one or more of their need analysis applications. As a result, some of these students were erroneously awarded Basic Grant or campus-based aid or received too much aid under these programs. Most major Federal sources of financial aid to students, including VA, require schools to certify students' attendance. Financial aid officers we contacted were not always checking the names of students receiving VA benefits against their records of financial aid recipients.

For those students identified as receiving VA benefits that had not been reported on their need analysis applications, we asked the financial aid officers to investigate and take appropriate corrective action. At the completion of our fieldwork, one school had terminated financial aid payments totaling $16,000 to 14 such students, and another had begun action to collect overpayments totaling over $3,200 to 2 students.

The Social Security Administration has described the intent of its Old Age and Survivors, and Disability Insurance trust funds as providing benefit income to replace the earned income lost when the worker dies, becomes disabled, or retires.

1/"The National Direct Student Loan Program Requires More Attention by the Office of Education and Participating Institutions" (HRD-77-109, June 27, 1977).

The agency does not classify student benefits as education assistance, but considers them to be a component of family income. They are paid to 18- to 21-year-old full-time students in recognition of their continuing family membership. However, according to a Congressional Budget Office study 1/ this distinction between family income and educational assistance

> "* * * is not observed by the Office of Management and Budget, which unequivocally characterizes the * * * [educational] benefit as a 'student grant,' nor was * * * [this distinction] drawn by the Congress when it legislated social security student benefits in 1965."
>
> * * * * *
>
> "The social security student benefit formula produces results that are inconsistent with the usually stated purpose of the federal role in student aid--that is, to try to ensure that financial barriers will not keep young people from pursuing postsecondary education. The operative effect of the formula is that those with the least family resources receive the least help, while those with the most resources are given the most help."
>
> * * * * *
>
> "Postsecondary student grant programs like BEOG [Basic Grants] and Supplementary Educational Opportunity Grants (SEOG) also differ from social security in that they are needs tested. Consequently, they take into account the resources a student may have in the form of social security benefits. But none fully offsets the social security benefit against the needs-tested benefit, with the result that families identical in size and income, one with and one without social security, receive different total amounts of student aid on top of that income."
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> * * * * *

1/"Social Security Benefits for Students," May 1977.

"Overlaps in student benefits among social security, civil service, VA and similar programs are not the consequence of any articulated federal policy or finding of special need. While it seems likely that some students are receiving duplicative (or triplicative) federal awards that in the aggregate exceed their costs of attendance, there are no data on which to base an estimate of the frequency of such cases."

The Congressional Budget Office study states that some students and their families tend to count the student's check as part of the family's resources. However, the Office of Management and Budget characterizes the benefits as a "student grant."

We noted that students also often did not report as a resource the education benefits received from the Social Security Administration. Of the 1,669 students in our sample, 166 were receiving such benefits, according to Social Security records. For 7 of the 166, the information necessary to determine whether benefits had been correctly reported on need analysis applications was not available. Of the other 159, 43 (27 percent) had either omitted or underreported the Social Security benefits. As a result, needs were incorrectly computed, and these students may have received aid that they should not have received or received awards exceeding their need.

If VA and Social Security benefits were specifically mentioned as aid sources in OE's regulations (see p. 46), the problem of aid officers' failing to check other campus offices regarding such aid might be reduced.

In July 1978, after the completion of our fieldwork, OE announced plans to develop a three-point program to ensure that no recipient of Federal financial aid receives more than 100 percent of the actual cost of education. OE plans to

--work with involved agencies to develop an overall policy for dealing with benefits for all programs;

--contact States and institutions to work out ways to integrate and coordinate institutional, State, and Federal aid; and

--work with higher education institutions to improve the status and quality of student financial aid officers' work.

QUESTIONS HAVE ARISEN OVER THE CONTINUED NEED FOR SOCIAL SECURITY EDUCATION BENEFITS

Former President Ford recommended the elimination of social security benefits to students as a way of reducing the social security system's financing problems. Most of the current need-based Federal student grant programs did not exist when social security education benefits were enacted in 1965. The 95th Congress authorized an increase in total funding for several of the present student assistance programs. It also considered (1) bills to allow tuition tax credits to parents with children in college and (2) other measures to bring tax relief to families with children in college. Proponents for continuing social security educational benefits claim that eliminating or even reducing these benefits would deny significant assistance to one of the neediest segments of the population and diminish the capacity of Federal aid programs to meet these students' needs.

An argument, presented in the Congressional Budget Office study, for phasing out the program is that this is a necessary step in moving toward a comprehensive, nonduplicative Federal program to help those needing financial assistance. In testimony on February 8, 1979, before the Subcommittee on Oversight, House Committee on Ways and Means, we concluded, based on our fieldwork involving Social Security student benefits, that a phaseout of such payments to postsecondary students was warranted.

CONCLUSIONS

The 1972 Higher Education Amendments' intent that OE student assistance programs aid the neediest students and provide equal treatment for students in similar circumstances is not always achieved. The neediest students sometimes do not get the most aid. Also, the amount and type of aid (grants versus self-help) received by students in similar circumstances vary among schools. OE needs to issue guidelines for packaging aid that require more uniform treatment of students in similar circumstances. The Keppel Task Force recommended "equity packaging" as one method of providing more consistent treatment of students.

OE regulations require that financial aid officers coordinate campus-based programs with all other Federal and non-Federal student assistance so that the total aid package does not exceed the student's need. However, because campus financial aid officers are sometimes unaware of aid from other than OE sources, students can receive duplicate or triplicate payments. OE recently announced plans to develop a program to prevent such overpayments.

RECOMMENDATIONS TO THE SECRETARY OF HEW

We recommend that the Secretary direct the Commissioner of Education to:

--Establish aid packaging guidelines that will require the total aid packages of students in similar circumstances to have similar mixtures of grant and self-help aid.

--Promptly implement plans to integrate and coordinate Federal and non-Federal student aid programs and emphasize the need for financial aid officers to check all available sources of aid to determine if recipients of campus-based aid are receiving aid from other sources.

--Proceed with plans to develop a program to ensure that recipients' Federal financial aid does not exceed their educational costs.

COMMENTS OF OFFICE OF EDUCATION OFFICIALS

OE officials agreed with the thrust of our recommendation to establish aid packaging guidelines that will require the total aid packages of students in similar circumstances to have similar mixtures of grant and self-help aid. They said that, in preparation for the 1979-80 reauthorization proposals, aid packaging guidelines are being considered.

OE officials also concurred in our recommendation to promptly implement plans to integrate and coordinate Federal and non-Federal student aid programs and emphasize the need for financial aid officers to check all available sources of aid to determine whether recipients of campus-based aid are receiving aid from other sources. The officials said OE is developing a plan to identify sources of Federal and non-Federal aid.

The magnitude of the problem of overawarding will be determined and used as a basis for working with other agencies to coordinate financial aid programs. In the 1979-80 academic year, Basic Grant applicants will be matched against Social Security Administration files to ensure that social security educational benefits are reported. Students who do not report correctly will be rejected. If they provide additional information which is different than that reported by the Social Security Administration, they will be selected for validation. OE officials said that the expanded Basic Grant population expected in 1979-80 will mean that almost all campus-based recipients will be covered in this process.

According to OE officials, negotiations are underway with VA to conduct similar matches. Also, in preparation for the 1979-80 reauthorization proposals, OE is considering requiring States receiving funds through the State Student Incentive Grant Program to take Basic Grants into account when they make their awards.

In addition, OE plans to emphasize through the publications available to it the need for financial aid officers and institution presidents to coordinate the awarding of financial aid to prevent overawarding. Program reviews will monitor the degree to which this coordination takes place.

OE officials said that their agency is developing a plan to implement our recommendation to develop a program to ensure that Federal aid received by recipients does not exceed their cost of education. This plan will identify steps needed to achieve this goal and will be forwarded to the Secretary by April 30, 1979, for consideration at the departmental level.

RECOMMENDATION TO THE DIRECTOR, OFFICE OF MANAGEMENT AND BUDGET

To assist OE in its coordination efforts, the Director, Office of Management and Budget, should require all agencies using Federal funds for education-related assistance to include in their regulations a requirement that the names of students and the amounts of student financial aid provided to them be given to schools' financial aid offices for consideration in developing students' total aid packages.

OFFICE OF MANAGEMENT AND BUDGET COMMENTS

The Office of Management and Budget said that it shared our concern for assuring efficient distribution of student financial aid and that it was studying the problem to which our recommendation is addressed as it developed its proposals for the reauthorization of student financial aid programs. In particular, the Office of Management and Budget is studying means to improve the coordination of financial aid, including means of providing aid officers with more information about the assistance students are receiving.

The Office said that it would advise us of the conclusion reached.

CHAPTER 5

NEED TO FURTHER DEFINE CRITERIA FOR SATISFACTORY ACADEMIC STANDING

Section 132 of the Education Amendments of 1976 (20 U.S.C. 1088f(e)) states that:

> "Any student assistance received by a student under this title shall entitle the student receiving it to payments only if that student is maintaining satisfactory progress in the course of study he is pursuing, according to the standards and practices of the institution at which the student is in attendance, * * *."

We believe that the statute's lack of specific criteria enables students to continue receiving aid while making questionable academic progress.

Schools are allowed to set their own standards for academic progress. Some schools have adequate standards and enforce them, but others do not. As a result, students have received aid payments for extended periods although they had made little or no progress toward a degree or completion of their course of study. 1/

At the beginning of this review, 10 of the 23 schools in our sample did not have what we considered reasonable standards for academic progress or were not enforcing their standards.

No standard (note a)	2
Questionable or inadequate standard	3
Standard not enforced (note a)	5
Total	10

a/Standards established or enforced after we began our fieldwork.

1/We have previously discussed the need for better defined standards of academic progress in our report, "What Assurance Does Office of Education's Eligiblity Process Provide?" (HRD-78-120, Jan. 17, 1979).

At two other schools, we were unable to evaluate the adequacy of the standards because records were unavailable at one school and the second school did not compute grade point averages for determining academic progress. The remaining 11 schools had what we considered reasonable standards which were being enforced for the students in our sample.

SCHOOLS WITHOUT STANDARDS

A school which lacked standards is described below. Before the second semester of the 1976-77 academic year, a 2-year public institution did not have any standards for satisfactory progress because, according to its aid director, it wanted students to have the opportunity of learning through prolonged exposure. Poor student performance indicated that an increasing number of students were not interested in educational opportunities. They were, however, receiving Basic Grants semester after semester without making academic progress.

That school's director of financial aid stated that similar problems are occurring at institutions with "open admissions" policies (schools which admit applicants without regard to previous academic achievement). He estimated that these institutions may distribute as much as $100 million annually to students who are not making academic progress.

Under standards the school adopted during the second semester of the 1976-77 school year, financial aid recipients had to meet the following three requirements at the end of each semester.

--Maintain a cumulative grade point average in accordance with the following scale:

Number of semester hours earned	Required grade point average (4.0 systems)
0 - 15	1.00
16 - 30	1.50
31 - 45	1.75
Over 45	2.00

--Successfully complete (with a grade of at least a "D") 50 percent of all credit hours attempted per semester.

--Earn not more than 75 semester hours credit, 1/ including credits transferred from other instiutions.

After implementing these standards, the school terminated financial aid for 50 percent of the students in our sample. One terminated student had enrolled in 27 courses during a period of 4 academic years. The student passed only 2 of the 27 courses, 1 with a "D" and 1 with a "B," but received Basic Grants totaling $2,000 for five semesters. Another student, who enrolled for 13 courses over 2 academic years, passed only 1 with a "D." The student received Basic Grants totaling $1,218 for four semesters.

SCHOOLS WITH INADEQUATE STANDARDS

Some schools had established standards that we believe were clearly inadequate. For example, at one school students needed only to pass 3 credit hours per quarter with a "D" to remain in good standing.

Another school did not establish a minimum requirement for credit hours earned and ignored nonpassing grades in computing grade point averages. For example, one aid recipient registered for a total of 38 credits during three quarters of attendance. He passed only one course during this period--a one-credit physical education course entitled "Fundamentals of Bowling," in which he received a "C." Because the school's system for computing grade point averages ignored nonpassing grades, his cumulative grade point average for the three quarters was 2.0, a "C" average.

The student enrolled for a fourth quarter for three courses totaling 13 credits, but did not pass any of them. During this quarter, the school changed its computation method to include in its grade point averages courses in which no-credit ("F") grades were received. The student's cumulative grade point average on the transcript after four quarters was shown as 0.143. However, this average included only the 13 credits failed during the fourth quarter and the 1 credit passing grade for the first three quarters. The other 37 credits that the student failed during the first three quarters were still excluded.

1/At a 2-year school, the typical number of credits necessary to complete a program would be about 60.

The change in the school's system for computing grade point averages was made at the faculty's request, and it complies with new VA regulations concerning the progress of students receiving VA benefits. These requlations require schools to keep adequate records showing the progress of each veteran or eligible person. The regulations state that records to show satisfactory progress

> "* * * must include final grade, in each subject for each term, quarter, or semester; record of withdrawal from any subject to include the last date of attendance for a resident course; and record of reenrollment in subjects from which there was a withdrawal; and may include such records as attendance for resident courses, periodic grades and examination results."

The regulations further stipulate that

> "The school enforces a policy relative to standards of conduct and progress required of the student. The school policy relative to standards of progress must be specific enough to determine the point in time when educational benefits should be discontinued, pursuant to section 1674, title 38, United State Code when the veteran or eligible person ceases to make satisfactory progress. No student will be considered to have made satisfactory progress when he or she fails or withdraws from all subjects undertaken (except when there is a showing of extenuating circumstances) when enrolled in 2 or more unit subjects. The policy must include the grade or grade point average that will be maintained if the student is to graduate."

Although recognizing the school's right to define standards for satisfactory progress, VA assumes that such standards should not permit students to repeatedly enroll in courses, not attend, and withdraw without penalty. VA considers such practices as "tantamount to nonpursuit."

At another school that did enforce its standards, a student had enrolled in 16 courses over four semesters. The student's cumulative grade point average was 1.31. During 1976-77, the student received $2,750 in Basic and State grants.

Another student at the same school enrolled in 10 courses over four semesters. This student, whose grade point average was 0.77, received $338 during 1976-77. Both students were ultimately dismissed by the school.

SCHOOLS THAT DID NOT ENFORCE STANDARDS

As shown on page 54, five schools had standards but did not enforce them. For example, one school had established a requirement that aid recipients maintain a "C" average for at least 12 hours each semester. However, because the school was not adequately monitoring the progress of aid recipients for conformity with the standards, 15 percent of the students in our sample were not meeting the "C-12" requirement.

Two other schools, which had 68 and 82 percent of their students receiving some form of Federal aid and which had not enforced their standards for 2 years or more, began enforcing their standards during the 1976-77 academic year. One was ordered to do so by the State board of regents; the other's reason was not documented. As a result, 900 and 96 students, respectively, were dismissed for failing to meet the standards.

Some schools were not assuring that students receiving aid were attending classes. OE has not established attendance requirements for aid recipients. At one such school, a student received aid for two semesters in which she withdrew from all classes. This student received about $1,000 in cash, in addition to tuition and fees.

At another school, 4 of the 30 students in our sample received aid payments after they had dropped out of school. One student, who last attended school on June 22, 1976, received aid payments of $700 on July 15 and $200 on August 2. The school was not aware that the student had dropped out until a VA program review in February 1977. School officials told us that they would implement a new system of reporting attendance to prevent further such occurrences.

CONCLUSIONS

Students at some schools have received aid payments for extended periods without making sufficient progress toward a degree or completion of their course of study because their schools had not established, or were not enforcing, adequate standards for academic progress. Students at other schools have had their aid payments terminated for failure to make

academic progress. This inconsistent treatment has resulted from OE's reliance on schools' academic standards and practices. Some schools have established and enforced reasonable standards for academic progress, but others have not.

The Congress stipulated in the Education Amendments of 1976 that students receiving financial aid must make satisfactory progress. However, the definition of satisfactory progress was left to institutions. (See p. 54.)

We believe that, during periods of less than full enrollment, when terminating a student's aid might mean the loss of tuition and fees, some schools might be reluctant to enforce rigid academic standards. OE needs the authority to establish certain minimum standards for academic progress that treat aid recipients more equally, to provide aid funds only to students who are genuinely interested in obtaining an education, and to periodically monitor schools' adherence to these standards.

The abuses noted during our review show the need for certain minimum standards of academic progress which all institutions must meet. In our report on OE's eligibility process (see p. 54), we recommended that the Congress amend the Higher Education Act of 1965 to require the Commissioner of Education to develop regulations which define more specifically "good standing" and "satisfactory progress" to preclude students and schools from abusing the availability of Federal financial aid.

RECOMMENDATIONS TO THE SECRETARY OF HEW

If the Congress amends the Higher Education Act of 1965 in accordance with our previous recommendation, we recommend that the Secretary direct the Commissioner of Education to implement regulations establishing minimum standards of academic progress to be applied to recipients of financial aid under OE programs. These standards should:

--Establish a minimum grade point average, such as a "C" or its equivalent for institutions with numeric grading systems.

--Require that a minimum number of credits (or the institutional equivalent) be earned during each enrollment period.

--Provide that students meet the above criteria at the end of each enrollment period in order to be eligible for further aid payments.

If such standards are established, we recommend also that OE periodically review the procedures implemented by postsecondary institutions to determine if their compliance is adequate.

COMMENTS OF OFFICE OF EDUCATION OFFICIALS AND OUR EVALUATION

OE officials told us that, because our report studies institutional behavior in the 1976-77 academic year, we may have biased the results. They said that the academic progress requirement of the Higher Education Amendments of 1976 became effective only in the 1977-78 academic year and that, on the basis of discussions with representatives from the financial aid community, they understand that many schools have established or revised their standards as a result of this requirement.

OE officials believe that establishing specific guidelines on minimum standards of academic progress would represent excessive Government interference in schools' academic affairs. They added that institutional standards for satisfactory progress are being reviewed in the regular program review process of the Bureau of Student Financial Assistance and that OE's administrative and fiscal standards regulations require schools to establish a reasonable method of determining whether students are making satisfactory progress. According to the officials, institutional adherence to the requirement will be verified during program reviews by OE's Bureau of Student Financial Assistance. They believe that these procedures meet the intent of our recommendations.

As mentioned previously, we believe that, during periods of less than full enrollment, when terminating a student's aid might mean the loss of tuition and fees, some schools might be reluctant to enforce rigid academic standards. In our report, "Problems and Outlook of Small Private Liberal Arts Colleges" (HRD-78-91, Aug. 25, 1978), we pointed out that the Nation's colleges and universities face many problems. One such problem is how to cope with the enrollment declines for the 1980s projected by the National Center for Education Statistics. We believe that some schools faced with such declines might be unwilling to enforce adequate academic standards for fear of discouraging potential students from attending their institutions.

Therefore, we still believe that OE needs to more specifically define "good standing" and "satisfactory progress" to insure that students and schools are not abusing the availability of Federal financial aid.

APPENDIX I

OVERVIEW OF OFFICE OF EDUCATION STUDENT AID PROGRAMS FOR FISCAL YEARS 1974-78

Program	Authorized activities	Eligibility	Appropriations for fiscal year (notes a and b) 1974 Funding (millions)	1974 Recipients	1975 Funding (millions)	1975 Recipients	1976 Funding (millions)	1976 Recipients	1977 Funding (millions)	1977 Recipients	1978 Funding (millions)	1978 Recipients
Basic Educational Opportunity Grant	Foundation for all Federal student assistance; provides aid directly to students; when fully funded pays $1,800 c/ ($1,400 before academic year 1978-79) minus the family contribution, or half of the cost of instruction, whichever is less	All students are eligible subject to the family contribution	$ 475.0	573,403	$ 840.2	1,228,034	$1,536.7	1,945,454	$1,692.2	1,975,000	$2,160.0	2,398,000
Supplemental Educational Opportunity Grant	Allots funds for initial year and continuing year grants; funds for initial year grants are allotted by State formula; there is no statutory allotment formula for continuing year funds	Primarily for students with "exceptional financial need"	210.3	390,000	240.3	447,000	240.1	445,000	250.1	440,000	270.1	464,000
College Work-Study	Allots funds (80% Federal, 20% institutional) by State formula to postsecondary schools	Primarily for students with "greatest financial need"	270.2	570,000	420.0	973,000	390.0	895,000	390.0	852,000	435.0	796,000
National Direct Student Loan	Allots funds (90% Federal, 10% institutional) by State formula to postsecondary schools	Primarily for students with financial need not met by other sources	298.0	690,000	329.4	799,000	332.0	834,000	323.2	831,000	325.7	853,000
Sub-total, Basic Grants and campus-based programs			1,253.5		1,829.9		2,498.8		2,655.5		3,190.8	
Guaranteed Student Loan	Provides for private loans to students with guarantees by the Federal Government for default	All students are eligible who can show need beyond Basic Grants	398.7	924,000	580.0	919,000	807.8	1,208,000	357.3	941,000	d/479.7	984,000
State Student Incentive Grant	Provides Federal and State funds (50-50) to encourage States to establish or expand student aid programs	Primarily for students with "substantial financial need"	19.0	76,000	20.0	80,000	44.0	176,000	60.0	240,000	63.8	255,000
Total			$1,671.2	3,223,403	$2,429.9	4,446,034	$3,350.6	5,503,454	$3,072.8	5,279,000	$3,734.3	5,750,000

a/Programs are forward funded (i.e., fiscal year appropriations are for use in succeeding fiscal year).

b/All recipient figures are estimates.

c/Program was not fully funded for academic year 1978-79 and maximum grant was limited to $1,600.

d/In addition to the appropriation shown, there was a borrowing authority of $40 million.

INFORMATION USED IN SELECTING POSTSECONDARY SCHOOLS

School	State	Universe size (note a)	Sample size	FY 1977 allocation (note b)
2-year public:				
Camden County College	N.J.	1,680	65	$ 1,161,991
El Paso Community College	Colo.	1,075	42	816,729
Florida Junior College	Fla.	2,230	86	2,118,243
Lakewood Community College	Minn.	445	61	429,042
2-year private:				
Hilbert College	N.Y.	355	30	284,768
McKenzie College	Tenn.	414	30	630,993
4-year public:				
Indiana University	Pa.	3,352	129	2,963,619
Rutgers University	N.J.	4,576	160	11,140,014
Tennessee State University	Tenn.	3,620	140	5,397,689
University of California, Berkeley	Calif.	6,220	190	6,131,491
University of New Mexico	N. Mex.	6,286	200	6,791,570
University of Wisconsin, River Falls	Wis.	1,372	53	1,417,037
4-year private:				
Augsburg College	Minn.	777	50	754,780
Bethune-Cookman College	Fla.	1,406	54	2,545,142
Bucknell University	Pa.	304	30	222,261
Carnegie-Mellon University	Pa.	1,447	55	1,567,303
University of Albuquerque	N. Mex.	894	35	1,246,777
Proprietary:				
Barnes Business College	Colo.	264	30	353,675
Condie College of Business and Computer Technology	Calif.	229	30	376,106
IBA Prestige Beauty Schools	Wis.	671	60	915,532
National School of Health Technology	Pa.	1,043	40	1,172,605
Wilfred Academy	N.Y.	1,256	49	1,574,954
Public vocational-technical:				
Suburban Hennepin County Area Vocational Technical Center	Minn.	717	50	501,611
Total		40,633	1,669	$50,513,932

a/The total number of students receiving aid from Basic Grants, Supplemental Grants, College Work-Study, and Direct Loans during the 1976-77 award period.

b/Allocation of Basic Grants and aid from campus-based programs for the 1976-77 award period.

APPENDIX III

EXECUTIVE OFFICE OF THE PRESIDENT
OFFICE OF MANAGEMENT AND BUDGET
WASHINGTON, D.C. 20503

JAN 2 1979

Mr. Allen R. Voss
Director, General
Government Division
General Accounting Office
Washington, D. C. 20548

Dear Mr. Voss:

This is in response to your request for our comments on a recommendation to the Office of Management and Budget contained in a draft report to the Congress on the delivery of student financial aid. Please excuse the delay.

The report recommends that OMB require all agencies using Federal funds for education-related assistance assure that the names of students and the amount of financial aid they receive is provided to the financial aid offices of their schools.

We share your concern for assuring efficient distribution of student financial aid, and are currently studying the problem to which the recommendation is addressed in connection with the development of our proposals for the reauthorization of student financial aid programs. In particular, we are studying means to improve the coordination of financial aid, including means of providing aid officers with more information about the assistance students are receiving.

The recommendation in the draft report is being considered in our deliberations and I will advise you of the conclusion we reach. If I can be of further assistance, please do not hesitate to notify me.

Sincerely,

W. Bowman Cutter
Executive Associate Director
for Budget

(104061)

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